

# GROCERY RETAILERS & RENEWABLE ENERGY ADOPTION

A comparative case study on how and why grocery retailers in Finland invest in renewable energy

Master's Thesis  
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**Abstract**

A significant part of the international efforts to mitigate climate change and reduce carbon emissions will be the transition to cleaner energy production. These transitions are typically studied from the perspective of governments, citizens, energy producers, and heavy industry, ignoring product and service-based businesses who often make up substantial portions of the energy consumption profile of several countries. Yet more and more companies, previously without substantial interest in the energy market, are proactively becoming critical players in national energy transitions, either through calculated consumption changes, or by self-producing or buying clean energy.

In Finland, market-leading grocery retailers S-Group and K-Group have respectively become the country's largest consumers and producers of wind and solar energy. This Master's thesis explores how and why these companies, to whom energy is only peripheral to their core business, have invested in renewable energy. By understanding energy as part of the companies' corporate responsibility agendas, the thesis answers two research questions: 1) How have S-Group and K-Group implemented their renewable energy strategies and what role do these strategies play in the companies' corporate responsibility agendas? 2) What were the key motives for investing in renewable energy for S-Group and K-Group? To answer these questions, this comparative case study uses qualitative research methods including interviews and analysis of secondary data.

The findings show that energy is mainly an operational concern, approached through corporate responsibility integration practices. Key motives for moving to renewables emerge from the national and industry contexts, while firm-specific factors further differentiate company approaches. The main difference between the case companies has been how closely energy production is tied to core business activities and how the company organizes internally around energy. Critical to both companies' success has been external partnerships. Investments in renewables have been largely motivated by the rising cost of electricity, with national subsidy programs for renewable energy production further pushing companies towards independence in energy sourcing. The global sustainability trend has made emissions and sustainable business practices a pressing matter for companies, meaning brand management has also played a role in renewable energy adoption.

By testing out corporate responsibility frameworks in an energy context, this thesis demonstrates the varying levels of influence in energy issues for businesses, going beyond energy as a peripheral operational issue. These findings add knowledge to the understudied energy perspective in corporate responsibility, while demonstrating how corporate responsibility can help bring more ecosystem players to the area of energy transition research.

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**Keywords** renewable energy, corporate responsibility, energy transitions

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## **Tiivistelmä**

Merkittävä osuus ilmastomuutoksen torjumistyöstä sekä kasvihuonepäästöjen vähennyksestä keskittyy puhtaampaan energiantuotantoon. Energiamurrosta on tutkittu poliittisten tekijöiden, kuluttajien, energian tuottajien ja raskaan teollisuuden näkökulmasta. Kuluttajatuotteita ja palveluja tarjoavia yhtiöitä ei yleensä ole otettu näissä tutkimuksissa huomioon, vaikka niiden energiankulutus on merkittävää ja niillä on huomionarvoinen osuus useiden maiden kokonaiskulutuksesta. Yhä useampi tällainen yhtiö, jolla ei ennen ole ollut merkittävää kiinnostusta energiamarkkinoita kohtaan, on nyt pyrkinyt keskeisempään rooliin energiamurroksessa, joko energiankulutukseen liittyvin muutoksin sekä ostamalla tai tuottamalla omaa puhdasta energiaa.

Suomen vähittäiskaupan markkinajohtajat S-ryhmä ja K-ryhmä ovat tätä nykyä maan suurimmat yksittäiset tuuli- ja aurinkovoimantuottajat sekä kuluttajat. Graduni tutkii, miksi ja miten yhtiöt ovat panostaneet uusiutuvaan energiaan, vaikka energia on niiden ydinliiketoiminnan ulkopuolella. Käsittämällä energiaa osana yritysten yritys vastuuta vastaan seuraaviin tutkimuskysymyksiin: 1) Miten S-ryhmä ja K-ryhmä ovat toteuttaneet uusiutuvan energian strategiansa, ja mikä rooli tällä on ollut yhtiöiden yritys vastuussa? 2) Mitkä ovat olleet S-ryhmän ja K-ryhmän tärkeimmät motiivit sijoittaa uusiutuvaan energiaan? Päästäkseni vastaamaan tutkimuskysymyksiini käytän kvalitatiivisia tutkimusmetodeja kuten haastatteluja ja toissijaista aineistoa.

Tulokset osoittavat energian olevan pääasiassa operatiivisessa roolissa yhtiöissä, ja sitä käsitellään yritys vastuun integrointikäytäntöjä hyödyntäen. Tärkeimmät motiivit siirtyä uusiutuvaan energiaan tulevat kansalliselta tasolta sekä toimialalta yleisesti, mutta yhtiöiden lähetymistavat poikkeavat toisistaan. Suurin ero tutkittavien yhtiöiden välillä on ollut se, kuinka läheisesti ydinliiketoiminta ja energiantuotanto ovat nivoutuneet toisiinsa ja kuinka yhtiö on sisäisesti järjestäytynyt energia-asoiden ympärille. Kriittistä molempien yritysten menestykseen ovat olleet ulkoiset yhteistyökumppanit. Sijoitukset energiantuotantoon ovat suurelta osin johtuneet kohonneesta sähkön hinnasta sekä valtakunnallisista uusiutuviin energiamuotoihin suunnatuista tukiohjelmista, jotka ovat rohkaisseet yhtiöitä kohti energiaomavaraisuutta. Globaali kestävä kehityksen trendi on myös lisännyt kestävä liiketoiminnan ja päästöjen merkitystä, ja näin brändiin liittyvät tekijät ovat vaikuttaneet uusiutuvaan energiaan siirtymistä.

Testaamalla yritys vastuun rakenteita energiakontekstissa, graduni esittää eri vaikutustasot energia-asioissa kevyen teollisuuden yhtiöissä. Samalla edistän vähän tutkittua näkökulmaa yritys vastuussa ja osoitan, että yritys vastuu voi auttaa tuomaan uusia ekosysteemin jäseniä energiamurrokseen.

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**Avainsanat** uusiutuva energia, yritys vastuu, energiamurros

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# 1. INTRODUCTION

The fight against anthropogenic climate change has been a global dialogue between citizens, businesses, non-profits, academics and governments for several decades now, and has spawned numerous international and national coalitions, most recently the Paris Climate Accords officially signed in 2016 (United Nations Framework Convention on Climate Change, 2015). One of the key obstacles to tackling anthropogenic climate change has been the question of how to meet the increasing energy needs of the world in a cleaner way. For example, electricity and heat production accounts for 25% of the world's carbon emissions (United States Environmental Protection Agency, 2017). Driven by the goals set out in agreements like the Paris Climate Accords, energy production, and specifically, transitions to renewable and clean energies, have become a key focus of government and inter-government agendas. For example, in 2016 the European Union set a union-wide goal to have 27% of all final energy in the EU produced from renewable sources by 2030, with member countries further setting their own national goals (European Commission, n.d.).

## 1.1. The Finnish move towards renewables

The national goal for my home country, Finland, was to have 38% of the country's energy come from renewable sources by 2020 (Motiva OY, 2017; Finnish Environment Institute, 2016). Finland has made considerable headway in working towards this goal: in 2017, 36% of Finland's total energy consumption came from renewable energy sources. The main sources used to produce this renewable energy have been biomass, hydro, and wind power (Official Statistics of Finland, 2017b). However, the main sources of energy in Finland are oil (23%), coal (9%), nuclear (17%) and biomass (27%): three out of four of these energy production methods, or 59% of the energy supply, represent emission-causing sources of energy (Official Statistics of Finland, 2017b). Indeed, the energy sector in Finland is estimated to account for 75% of the country's carbon emissions, with electricity production accounting for approximately 15% of total emissions (Official Statistics of Finland, 2017c; Finnish Energy, 2018). A report commissioned by Sitra analyzing the implications of the Paris agreement for Finland estimates that Finland will need to cut its greenhouse gas

emissions by 60% by the year 2030 to pull its weight in the global effort to keep warming to two degrees Celsius, yet the official EU targets for the Finnish national goal for greenhouse emission reductions remains at only 40% (Rocha et. al, 2016). The report goes on to note the importance of renewable energies, energy efficiency and carbon capture for Finland to reach the required reductions to achieve the Paris targets (Rocha et. al, 2016).

Efforts to push the country towards cleaner forms of energy have begun: the Finnish government provides subsidies for renewable energy investments in various forms for producers and consumers. For wind power, biomass and wood energy production, a feed-in tariff for energy producers was established in 2010. In addition, the government subsidizes investments into small-scale renewable energy production, for example solar investments (Motiva OY, 2018). Wind power accounted for 5.6% of Finland's electricity production in 2017, with 2,044 MW of installed capacity and average cumulative installation size of 2.9 MW (Finnish Wind Power Association, 2017). The wind power industry is fairly fragmented, though the largest three players own nearly 50% of the market (Finnish Wind Power Association, 2017). Though overall solar production remains too small to be noted in national statistics (Finnish Energy, 2018), estimates indicate that 20 MW of solar electricity capacity was available in Finland in 2016 (Auvinen, 2017). Solar has, however, been gaining momentum, with several actors entering the space in Finland, along with research groups and funding parties increasing interest in this market (Auvinen et. al, 2016).

In general, the energy production sector in Finland is operated under free competition principles, leading to a variety of producers and options for consumers. Consumers have the option to buy their energy from the market, or to produce energy themselves either in whole or in part, and the price is the same throughout Finland. Indeed, producing part of their own energy requirements has long been the strategy of several large energy consumers in heavy industry (Koistinen, 2018). Finland also participates in the shared Northern European electricity market, Nordpool, and has an extensive district heating network that operates on the unregulated Finnish heating market. Finland relies on imported electricity for nearly 24%

of its consumption (Finnish Energy, 2018). Electricity transmission is a monopoly, controlled on the state level (Finnish Energy, 2017).

While the foundation for cleaner energy production in Finland has been laid, much work remains to be done to get Finland on its way towards an emission-free energy market and clean electricity production. Government policies and energy producer investments provide a start towards reaching these goals, but more and more companies, even in light industry, are starting to rise to the challenge by incorporating renewable energy into their operations. These companies, often with no direct stake in the energy sector, are pledging to only purchase renewable energy or even taking the additional step of producing their own renewable energy (Atria Suomi Oy, n.d.; Inter IKEA Systems B.V., 2014; Marimekko, 2016; K-Group, 2016; SOK, 2016). This adoption of renewable energy and improving energy efficiency plays a key role in not only optimizing operations, but it can also be considered part of the mix of companies' corporate responsibility agendas. These corporate responsibility agendas address social and environmental sustainability problems in the context of business activities and have now become standard practice for large and small companies in Finland. Corporate responsibility has been used by companies for a variety of reasons, from attaining positive PR, addressing stakeholder concerns, for financial value, or as a way to obtain a license to operate, among others (Laszlo & Zhaxembayeva, 2011; Halme & Laurila, 2008; Gazzola & Colombo, 2014). Corporate responsibility can at best align company strategy with the goals and needs of society and its environment, and a key part of this equation is fighting climate change (Laszlo & Zhaxembayeva, 2011). Energy use and sourcing provides a direct avenue for companies to reduce operational emissions, and thus show their role in fighting climate change, while simultaneously advancing national goals as large energy consumers.

Two major players to have entered into this field in Finland are grocery retailers S-Group and K-Group, who together control nearly 85% of the Finnish grocery retail market and each consume 1%'s worth of the total electricity consumed in Finland (K-Group, 2016a; SOK,



2016; Finnish Grocery Trade Association, 2016, pp 7). While S-Group has teamed up with energy company St1 to create one of the largest wind power companies in the country, TuuliWatti (SOK, 2015), K-Group has invested in solar power for its hypermarkets (K-Group, 2016a). With these investments, S-Group and K-Group now respectively represent the largest wind and solar energy producers and consumers in the country, with TuuliWatti holding 30% of the nation's wind power capacity (St1, 2017b; Finnish Wind Power Association, n.d.b), and K-Group holding approximately 17% of the Finland's solar capacity at the end of 2016 (J. Suuronen, personal communication, October 13, 2017).

This development in the energy strategies of two major Finnish business syndicates has enormous benefits in advancing national renewable energy adoption goals, since, as in many countries, businesses and industry represent one of the most significant consumers of energy on the national scale (Official Statistics of Finland, 2017b; Finnish Energy, 2018). Services account for nearly a quarter of Finland's electricity use (Finnish Energy, 2018), making it vital to consider how companies operating outside of the energy sector and heavy industry can actively contribute to the country's energy transition. Additionally, developing this domestic expertise and market can help Finland position itself as a forerunner in renewable energies, and capitalize on this growing international field in global markets. Furthermore, extrapolating from the experience of these two companies may present new avenues for renewable energy transitions in Finland and beyond.

So how is it that two of the largest grocery retailers in Finland have ended up with a controlling share of the most-talked-about renewable energy sectors? This thesis will answer this question, and further explore the mechanisms behind these developments.

## 1.2. Energy transition research and corporate citizenship

Energy transitions on a systemic level have been explained through Geels & Schot's (2007) multi-level perspective framework, "which understands transitions as outcomes of alignments between developments at multiple levels" (Geels & Schot, 2007). Geels & Schot

(2007) outline different scenarios which can lead to regime changes, in other words, major systemic transitions. The success or failure of such transitions are dependent on the dynamics between the niche, i.e. innovative technologies; the regime, i.e. the dominant system; and the landscape, i.e. the wider context (Geels & Schot, 2007). In the context of energy transitions, the actions of individual actors within the energy consumption regime are studied with a focus on how they react to landscape developments, in other words larger trends affecting energy, or what their role is in niche energy innovations. For example, the development of the renewable energy sector in the Netherlands has been analyzed through this lens. Through a multi-level perspective, research has shown how regime-level forces have kept renewables from truly taking off in the country despite incremental niche innovations (Verbong & Geels, 2007). This macro-level view is indicative of energy transition research (Verbong & Geels, 2007; Grubler, 2012; Mattes, Huber & Koehrsen, 2015; Smil, 2016). Conversely, transition management studies have used these frameworks to outline how businesses can help co-design systemic transitions and build value for their business from this starting point (Bakel, Whiteman, Rotmans, & Loorbach, 2010; Loorbach & Wijsman, 2013). Often this includes an entirely new way of thinking about a business: rather than trying to make products more sustainable, case companies set out to change their reason for being in the market (Bakel, Whiteman, Rotmans, & Loorbach, 2010).

Within this line of literature, micro-level attributes of the business become important criteria for success, such as the role of visionary individuals; allowing for new, seemingly unrelated tracks of businesses to form within the company; and the importance of allowing room for experimentation (Bakel, Whiteman, Rotmans, & Loorbach, 2010). These firm-level actions are then applied to a larger, societal context by looking at the relationship of a business with governments, other businesses and various other stakeholders to create networks, ensuring that businesses are not working towards this systemic change in isolation (Bakel, Whiteman, Rotmans, & Loorbach, 2010). These ecosystems can then work in tandem towards energy transitions, and these dynamics can be studied through the multi-level perspective framework. However, this line of research assumes fluid company mission statements,

engaged primarily within the energy or sustainability sector, and cannot account for companies for whom energy remains a peripheral activity.

On the other hand, research on renewable energy adoption has thus far focused mainly on governmental policies, energy suppliers and producers, and consumer habits. There is considerable research on government renewable energy adoption policies, as well as the investment strategies energy producers and suppliers employ when weighing renewable energies (Laihanen, Karhunen & Ranta, 2016; Wustenhagen & Menichetti, 2012; International Energy Agency, 2013). Energy consumption research has focused on the individual consumer and adoption of renewable energies in private homes (Mozumder, Vasquez, & Marathe, 2011; Juntunen, 2014). This holds true on an international scale and to Finland. However, little research exists into the specific processes or challenges involved when companies other than energy producers or suppliers look to shift to renewable energies. For these large-scale energy consumers, who are neither part of heavy industry nor individual households, these energy investments constitute operational and corporate responsibility concerns. Ample material exists on investment strategies or internal company dynamics in corporate responsibility initiatives overall (Chintrakarn, Jiraporn, Kim, & Kim, 2016; Kujala, Rehbein, Toikka, & Enroth, 2013), but these findings are on a general, often international, level and are not specific to energy investments in Finland.

In summary, energy transitions and transition management address a larger, macro-level view where companies within the energy sector, or closely related to it, become part of ecosystems and participate as crucial players in these systemic transitions (Verbong & Geels, 2007; Grubler, 2012; Mattes, Huber & Koehrsen, 2015; Smil, 2016; Bakel, Whiteman, Rotmans, & Loorbach, 2010; Loorbach & Wijsman, 2013). Other ecosystem players, such as households, governments and energy producers have been studied on the micro-level, but companies to whom energy is mainly an operational requirement have been left out of the picture (Laihanen, Karhunen & Ranta, 2016; Wustenhagen & Menichetti, 2012; International Energy Agency, 2013; Mozumder, Vasquez, & Marathe, 2011; Juntunen, 2014). For these

companies, energy is both an operational concern and possibly a target of corporate responsibility action, yet energy has not specifically been studied in this context within Finland. As a result, the issue of how companies in light industry approach energy investments for their business activities in Finland, and how renewable energy investments interact with their corporate responsibility agenda, has been overlooked. These companies can represent crucial missing links within this energy transition ecosystem as large energy consumers but are as of now sidelined within academic discussion. Therefore, it is important to understand energy transitions through corporate responsibility agendas and processes for these companies, who might not otherwise be engaged in larger energy transitions. Better understanding the relationship between corporate responsibility and renewable energy could further facilitate constructing optimal conditions for other similar companies - and therefore entire industries - in Finland to quickly shift to become entirely carbon neutral in terms of their energy consumption. The potential in this area is particularly enticing as several industries are highly concentrated and dominated by a few key companies in Finland (Savilaakso, 2015).

### 1.3. The research problem and design

The thesis will address two related questions: how have two grocery retailers become the largest producers of renewable energy in the country; and how can companies outside of the energy sector better understand their role in wider energy transitions through corporate responsibility? My thesis tackles these questions by addressing the underlying gap in literature. Through a comparative case study with Finland's most prominent companies within this category, K-Group and S-Group, I will demonstrate how and why companies in Finland invest in renewable and carbon neutral energies, through a corporate responsibility lens. The case study is based on interviews and analysis of company documents such as press releases, news articles and corporate responsibility reporting.

This research will add to the existing academic discussion surrounding corporate responsibility investments and how companies integrate these goals into their operations, as

well as contributing to existing research on renewable energy investment patterns in society from a new and overlooked perspective. Furthermore, the research can begin to uncover, for governments and businesses alike, certain roadblocks or best practices that can or should be addressed, or that can be capitalized on to advance not only national goals in fighting climate change, but also individual and national business interests. Limiting the scope of research to carbon neutral energy forms will exclude biomass combustion, typically identified as a form of renewable energy in Finland, but that risks emitting hydrocarbon, carbon monoxide and particulate emissions during the burning process (Motiva OY, 2009, pp 3). This boundary will provide knowledge that is more readily applicable to other national contexts, where such natural forestry reserves are not available but more common forms of renewable energy might be more practical. As a result, it will show how companies can do their part to fight climate change and reduce emissions, in accordance with national goals mandated through the Paris Climate Accords and other such government directives.

### **1.3.1. Research questions and thesis structure**

With these objectives in mind I will address the following questions:

Q1: How have S-Group and K-Group implemented their renewable energy strategies and what role do these strategies play in the companies' corporate responsibility agendas?

Q2: What were the key motivations for investing in renewable energy for S-Group and K-Group?

The thesis is structured as follows: I will examine key literature in corporate responsibility research, first addressing the question of how companies engage in various forms of corporate responsibility, and next looking to why companies might choose these varying forms of corporate responsibility. I will then outline the methodology used to research the two case companies, before separately describing each case. I will then conclude with a comparison of the case studies. Through this discussion, I can begin to uncover how large corporations in Finland approach renewable energy adoption and provide further knowledge on specific areas of interest for academics, businesses and governments.

### **1.3.2. Limitations of the study**

Though this comparative case study can provide excellent exploratory material, it is important to acknowledge its limitations; its breadth and depth. In terms of breadth, the sampling of the companies was done based on prior knowledge of the Finnish market and the size of the companies' energy and sector-specific market share. In the process, more innovative energy strategies may have been sidelined as targets of study, either due to these companies being smaller or less known in the Finnish market. A larger sample size of case companies would also provide more diverse results for comparison. Finally, additional interviews and observations within the case companies could yield further analysis of the studied phenomena. While outside of the scope of this research, this thesis provides an outline for focusing such further studies.

## **2. LITERATURE REVIEW**

To better understand the role of energy in the corporate responsibility (CR) agendas of the case companies, I will first look to the forms CR can take within companies, examining ways to assess the level of integration of CR in companies and their core activities, before turning my attention to how CR is shaped within companies through both external or internal factors. The former addresses the question of how companies engage in CR, while the latter line of literature informs the question of why companies engage in CR.

Corporate (social) responsibility, or C(S)R literature has evolved in the past decade to a vast and multi-faceted academic discussion (de Graaf & Stoelhorst, 2009), and nearly any scholarly piece on CR begins with a description of the difficulties of defining corporate responsibility (Halme & Laurila, 2008; Amini & Bienstock, 2014; de Graaf & Stoelhorst, 2009). However, the multitude of definitions often share a common foundation, defining CR through the concept of the triple bottom line, a term coined by John Elkington and referring to the inclusion of social and environmental criteria in company decision-making, in addition to traditional economic criteria (Elkington, 1997; Loorbach & Wijsman, 2013; Dyllick & Hockerts, 2002; Lozano, 2012).

Amini & Bienstock (2014) further outline five areas of corporate sustainability where companies must act in order to successfully practice CR. These five areas are: integrating CR into external and internal communications with a well-developed CR agenda; integrating CR into the entire supply chain; innovating for sustainability; adopting and successfully practicing a triple bottom line approach; and complying with as well as contributing as a partner to sustainability regulation. The authors acknowledge that different companies can be in four distinct stages of sophistication within these areas and can move between them fluidly (Amini & Bienstock, 2014). Within this classification of CR practice, many are inclusive of energy issues: from supply chain considerations, regulation compliance, to the development of energy strategy based on a triple bottom line approach by taking into consideration environmental (emissions), economic (energy costs) and social (community

well-being and energy independence) considerations (Lozano, 2012). To better situate these energy concerns into the context of a company's CR, we first consider how CR is integrated or practiced within companies.

## 2.1. What does corporate responsibility look like in companies?

### *Stage typologies of corporate responsibility*

Halme & Laurila (2008) present a simple framework for understanding the different types of CR that can be practiced in companies. Born out of criticism for existing CR typologies, which typically build on companies' motivations for practicing CR, the responsibilities expected of firms, or relative awareness of CR issues, Halme & Laurila propose an "action-oriented CR typology" (Halme & Laurila, 2008, pp 328), split into three distinct types of CR: philanthropy, CR integration and CR innovation. These three types emphasize the actions of companies' CR to create a model that is more easily applied in real-life cases and thus lends itself as a tool to compare CR between companies (Halme & Laurila, 2008). Within these stages, philanthropy is characterized by activities such as donations of time and money, which are generally additional activities unrelated to the company's core activities (Halme & Laurila, 2008). This is often considered so-called "bolt-on" CR, as it is more of an afterthought for companies and practiced without much integration into the company's other operations (Laszlo & Zhaxembayeva, 2011, pp 103).

The second type, CR integration, is more closely related to the company's core activities, looking to integrate sustainable practices into existing core activities (Halme & Laurila, 2008). This can include activities such as integrating environmental certification systems into operations or tracking metrics on social sustainability. The final type, CR innovation, goes a step further, expanding the company's core business or creating new revenue streams based on sustainability innovations, and thus the focus is on new product or service development (Halme & Laurila, 2008). Halme & Laurila (2008) argue that CR innovation and integration are a stronger source for competitive advantage, as they are more likely to lead to positive financial and social outcomes, mainly since philanthropic activity remains at such a distance



from core activities and is then easier to disregard or forget in day-to-day operations (Halme & Laurila, 2008, pp 334). CR integration and innovation, by supporting strategic operations, become embedded into the company and “contribute(s) to the firm’s effectiveness in accomplishing its mission” (Halme & Laurila, 2008, pp 333). Halme & Laurila’s model is summarized in Figure 1.

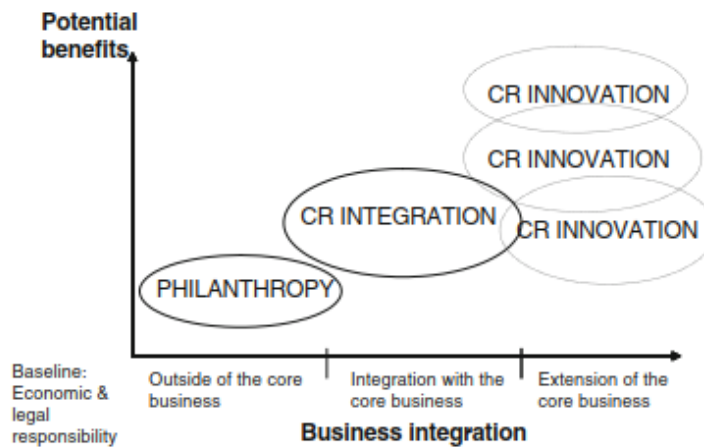


Figure 1: Three stages of CR and the level of integration to core business and potential benefit (Halme & Laurila, 2008)

CR integration and innovation practices can take many forms and have become areas of study within themselves. Examples of these types of activities include life-cycle assessment, eco design, cleaner production, eco-efficiency, the use of environmental management systems, eco-labelling, environmental and social accounting, and industrial ecology (Lozano, 2012). Each of these practices can be further evaluated on effectiveness and impact, but in themselves demonstrate CR activities that fit into the latter two stages of Halme & Laurila’s typology (Lozano, 2012; Halme & Laurila, 2008).

In a similar framework, Gazzola & Colombo (2014) distill the differences between these stages well by noting how the move from donation-based, bolt-on CR to integrative CR marks a shift “from a conception of CSR as an obligation to one that recognizes CSR as a strategy with opportunities to exploit” (Gazzola & Colombo, 2014, pp 333). This progression from a philanthropic CR approach to one where CR activities are an integral part of operations or a source of innovation are represented in Gazzola & Colombo’s (2014) five

levels of CR integration (not to be confused with Halme & Laurila's CR integration type), which range from informal and defensive, charitable, systemic, innovative and finally to dominant CR (Gazzola & Colombo, 2014). The first three stages, informal and defensive, charitable, and systemic, are more elementary approaches. The activities that characterize these stages range from ad-hoc activities which are only undertaken when clear financial value can be derived from them under informal CR, to donation and sponsorship-based activities as well as some CR reporting in charitable CR, to addressing only those CR issues that affect the company directly in systemic CR. The final two stages, innovative and dominant CR, detail a more advanced approach (Gazzola & Colombo, 2014). Here innovative CR closely follows Halme & Laurila's CR innovation type, describing a state where sustainability issues and concerns are taken as a starting point for new and innovative business development, possibly even including progressive lobbying tactics, whereas dominant CR is described as the stage in which CR is fully integrated into existing business activities through formal review, reporting and monitoring systems (Gazzola & Colombo, 2014; Halme & Laurila, 2008).

Adding to these frameworks, Mirvis & Googins (2006) sketch out five stages of corporate citizenship: beginning with a defensive "elementary" stage, a philanthropic "engaged" phase, an "innovative" stage that focuses on stakeholder engagement and CR reporting, an "integrated" phase where the triple bottom line and pro-active management of sustainability at a systemic level is emphasized, before ending at the "transforming" stage, which focuses on market creation and sustainability as a source of revenue. These five corporate citizenship stages are characterized by more general observations on a firm's view on citizenship, for example by how citizenship is defined internally, how it is incorporated into the company's strategy and basic approach to CR issues, as well as more practical questions such as how leadership is involved in CR, how CR management is structured, how the company interacts with stakeholders, and how transparent the company is (Mirvis & Googins, 2006).

*What is the most advanced state of corporate responsibility?*

All three frameworks by Halme & Laurila (2008), Mirvis & Googins (2006) and Gazzola & Colombo (2014) are built by evaluating a company's CR approach through its activities and defining key stages that distinguish these approaches from one another. What is interesting is the disagreement between models on where CR begins and what is more advanced CR: to focus on solving sustainability issues through core business activities or to consistently assess all operations and activities for sustainability. First, while Gazzola & Colombo and Mirvis & Googins acknowledge a more defensive, reactive approach to sustainability as the lowest possible form of CR, this is not even considered within the scope of CR in Halme & Laurila's typology; an ad-hoc, reactive form of CR is not seen as a developed CR agenda and thus is not considered useful for this typology. This view is shared by Griffin & Prakash (2010, pp 467), who in describing how CR initiatives are formed and put into action specifically define CR as action that goes "beyond compliance" or the bare minimum legal requirements. On the other end of the scale, in advanced CR approaches, all CR typologies flow from a low-maintenance, philanthropic approach to more and more integrated models, in the end focusing on CR as maintenance of sustainable systems and operations within the firm (Halme & Laurila, 2008; Mirvis & Googins, 2006).

However, while Gazzola & Colombo (2014) place the full integration of CR at the far end of their spectrum for CR as a sort of representation of the 'purest' CR, Halme & Laurila as well as Mirvis & Googins place CR activities that seek to innovate core business activities in line with sustainability above mere integration of sustainability into existing systems. This innovation of core business can further be segmented into more and more radical CR approaches, such as in Laszlo & Zhaxembayeva's (2011) model for embedded sustainability. Much like the final stages of Mirvis & Googins' or Halme & Laurila's frameworks, the model highlights ways in which sustainability can be etched into a business' core practices, therefore developing the next level of CR in companies by approaching sustainability as the ultimate new business opportunity (Laszlo & Zhaxembayeva, 2011, pp 6). Laszlo & Zhaxembayeva argue that a key tip-off for "bolt-on" sustainability is that it is practiced by a

single, separate department within the firm in isolation (Laszlo & Zhaxembayeva, 2011, pp 103), and that a deeper level of integration of sustainability, a true CR innovation approach, is now the only way to stay competitive and create value (Laszlo & Zhaxembayeva, 2011). In a departure from the earlier stage typologies, these authors discount traditional forms of CR, where a company's core activities are taken as given and then improved for sustainability, instead arguing that these activities should now be fundamentally changed in order to take the next step in sustainability management and business strategy (Laszlo & Zhaxembayeva, 2011).

According to the embedded sustainability framework, this can be done in three incremental approaches, pulling from previous business innovation models: Porter's positioning framework, blue ocean theory, and radical innovation (Laszlo & Zhaxembayeva, 2011). In the first stage, Laszlo & Zhaxembayeva uses Porter's classic business strategy segmentation model of cost leadership, differentiation and market segmentation and apply these to sustainability, showing that by using one of these strategies with sustainability thinking can either strengthen or weaken a company's overall positioning (Laszlo & Zhaxembayeva, 2011, pp 82). This marginal improvement in how a company uses sustainability can likewise only provide marginal benefits to a company's overall strategy. The next stage, blue ocean theory, developed by Kim & Mauborgne (2005), demonstrates how companies can jump over into "blue oceans", or untapped market spaces through value innovation, rather than focusing on incremental improvements in saturated "red ocean" markets (Laszlo & Zhaxembayeva, 2011). This type of innovation looks to create entirely new value for customers rather than competing with others in the same space (Laszlo & Zhaxembayeva, 2011, pp 83). Going a final step further, a radical innovation approach looks to potentially unattractive markets where innovation can create disruption that may not be immediately profitable, marketable or even provide competitive advantage, but that will, in the long run, lead to an entirely new kind of market makeup (Laszlo & Zhaxembayeva, 2011).

It is clear that this next-generation CR, which builds on the idea of CR innovation (Halme & Laurila, 2008) or transformation (Mirvis & Googins, 2006), has a very different relationship with sustainability than more traditional CR: the approach creates a new kind of language around sustainability, no longer considering it another point to be assessed but rather the beginning of a more holistic understanding on what the business is all about and what it looks to accomplish (Laszlo & Zhaxembayeva, 2011; Halme & Laurila, 2008).

#### *Challenges in identifying stages of corporate responsibility*

Despite the clear silos of CR approaches created by the frameworks, these stages are not exclusive of each other: a company can exist within several stages and incorporate activities from all stages at once (Mirvis & Googins, 2006). In analysing a company's CR approach, it is more crucial to consider which activities are most dominant within a company, which then helps define the overall dominant CR strategy (Mirvis & Googins, 2006, pp 119). Additionally, Mirvis & Googins specifically refer to their framework as stages of development, implying a shift from one to another, while at the same time noting that development can stagnate in some areas while moving swiftly in others (Mirvis & Googins, 2006). This is well highlighted in practice by Kujala, Rehbein, Toikka, & Enroth (2013) through a study of one of this thesis' case companies, K-Group. The authors demonstrate a gap between strategic and operational CR practices in the company, by analyzing CR reporting to understand the strategic level, and through interviews with local K-Group retailers to understand the operational level of CR. The results show that external stakeholder issues are more likely a focus of strategic CR while operational CR is focused on the internal stakeholders of the company (Kujala, Rehbein, Toikka, & Enroth, 2013). The only bridging element between the two is the customer base, but the approach and motivational drivers of the company on these two levels differ, resulting in differently categorized CR activities. Strategic CR focuses on reporting and quantitative measures of CR, while the operational level looks to certifications and qualitative measures of CR such as employee and customer satisfaction (Kujala, Rehbein, Toikka, & Enroth, 2013). Through Mirvis & Googins' framework, the authors show that operational CR remains at lower levels (1-2) of CR

integration, while the strategic level aims for higher levels (3-4) (Kujala, Rehbein, Toikka, & Enroth, 2013; Mirvis & Googins, 2006).

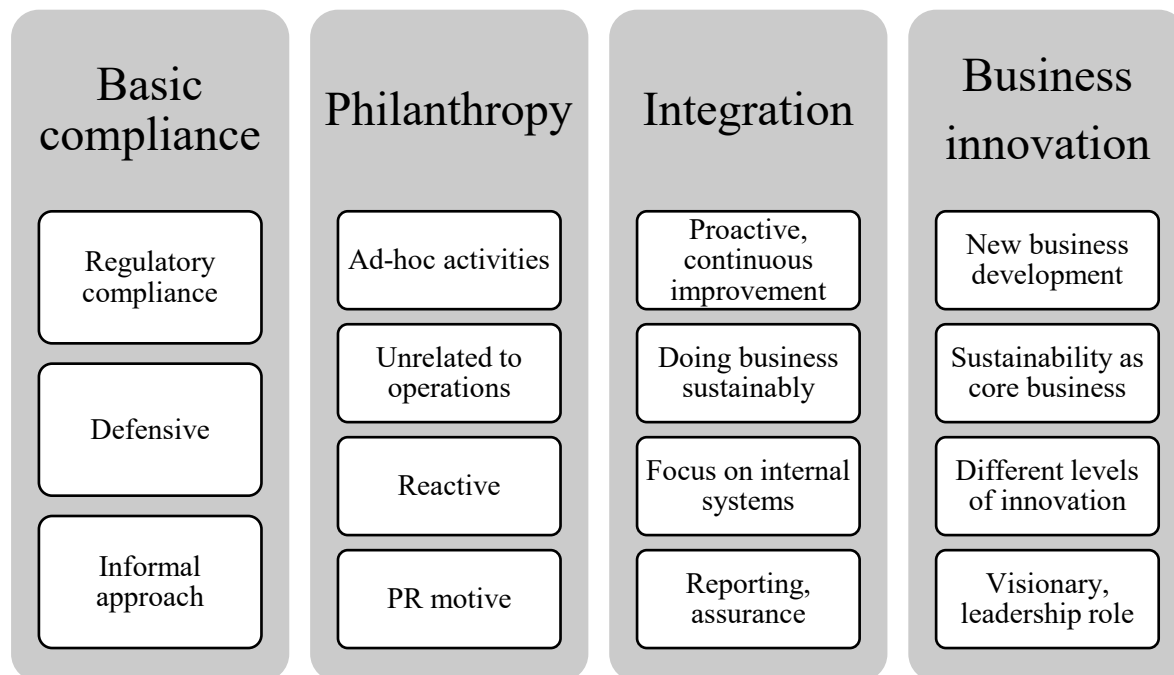
This discrepancy between the activities of a company and the corporately stated CR agenda is further explored by Ketola (2008), who describes how CR actions are linked to corporate values through company discourses. Specifically, dysfunctional corporate discourses can keep values and actions at odds with one another, inhibiting truly sustainable CR models from emerging (Ketola, 2008). When company values focus on a self-promotional, or as Ketola (2008, pp 432) calls it, an “egotistic” approach to CR, the company discourse focuses on praise of responsible actions or denying irresponsible actions. When values stem from a sense of obligation to responsibility, the discourse is focused on either asserting this commitment or justifying wrongdoings (Ketola, 2008). In both cases, the actions of the company end up either only benefiting the company or failing to fully achieve CR goals. On the other hand, corporate discourses can be key to successfully linking values and actions, at best creating a creative and fruitful CR model for the company where the company engages in constructive feedback, acknowledging faults or shortcomings based on core values that then translate to strong CR action (Ketola, 2008). This latter case, where discourse, actions and values are well-aligned, could be seen to provide the best foundation for a CR innovation and integration model, successfully incorporating sustainability into the operations and strategic intentions of the company (Ketola, 2008, Halme & Laurila, 2008).

Further embedding sustainability into the company on an operational level is discussed by Haugh & Talwar (2010), who emphasize organization-wide learning, social learning, building organizational knowledge systems, collaborative and cross-functional CR approaches, and practical experience with sustainability as key tools to embed sustainability across an organization. Likewise, Onkila & Siltaoja (2017) emphasize the importance of organization-wide discussion and dialogue on CR as key to bridging the gap between a communicated CR agenda and the operationalization of this agenda, as a way for organizational members to reconcile contradictions between CR rules and other

organizational rules. In general, there seems to be agreement that successful CR marries strategy and implementation through constructive, systematic, organization-wide dialogue.

*An outline of how companies practice corporate responsibility*

The stage typologies described above create a base for assessing and comparing CR both between companies and within companies. Common to these typologies is their focus on defining CR through internal actions, reporting measures, and the degree to which CR is integrated into the core economic activities of a company. An outline of these frameworks is summarized in Figure 2.



*Figure 2: Summary of CR typologies, adapted from Halme & Laurila (2008), Mirvis & Googins (2006), Gazzolo & Colombo (2014) and Laszlo & Zhaxembayeva, (2011)*

Comparing the activities of companies to these frameworks can provide a basis for further understanding and defining their approaches. In the use of these frameworks it is important to keep in mind the possibly conflicting relationships between what a company says about its CR agenda and what these CR activities truly represent (Ketola, 2008; Kujala, Rehbein, Toikka, & Enroth, 2013), as well as the existence of several stages within one company, depending on the activity, department or even the angle from which CR is analyzed (Mirvis

& Googins, 2006; Amini & Bienstock, 2014). This implies that CR approaches must be carefully analyzed from multiple viewpoints to obtain a holistic understanding of a company's sustainability approach.

Finally, the literature highlights that a key assessment point for a company's CR approach is the relative degree of connectivity to core business activities (Halme & Laurila, 2008; Laszlo & Zhaxembayeva, 2011; Gazzola & Colombo, 2014). The most advanced form of CR in fact may no longer look like CR at all in the traditional, managed sense, but rather the entire company's approach is founded on achieving sustainability goals (Laszlo & Zhaxembayeva, 2011). Despite this, as Gazzola & Colombo's (2014) typology reminds us, it is important to ensure that sustainable business practices are used in achieving the overall sustainably focused business goal.

## 2.2. What factors drive corporate responsibility agendas?

Having established an understanding of how CR can be practiced in companies and the various integration levels of CR practice, we can now examine the factors that shape these agendas, i.e. why companies engage in CR. As seen in the previous section, CR agendas vary greatly across organizations in terms of approach, operationalization and sophistication. To better understand why CR manifests itself in diverse ways across organizations, we look to three investigative levels: firm-specific, industry-specific and country-specific, as sources of influence on company actions. Literature on these sources of influence builds on institutional theory, recognising that companies operate in contexts with varying dominant socio-political and socio-economic institutions, and that these institutions manifest on the firm, industry or country level (Matten & Moon, 2008; Mirvis & Googins, 2006, pp 120; Blindheim, 2015). These institutions then create external forces that guide company thinking and in turn company CR (Matten & Moon, 2008; Mirvis & Googins, 2006; Blindheim, 2015).

### *National context and corporate responsibility*

While laws and regulations play a significant role in how companies operationalize CR, these are just the beginning for how a national context can influence CR (Mirvis & Googins, 2006,



pp 120). On the country level, Matten & Moon (2008) distinguish between explicit and implicit CR approaches, characterized by how the role of business in society is perceived and how companies' actions are spoken about, both by the company and by society in general. Building on previous research, Matten & Moon (2008) outline how country-level institutions manifest through the political, financial, educational, labour, and cultural systems of a country. Based on these national institutions, the authors describe how the individualistic North American context has led to companies practicing more "explicit" CR, where companies' CR is seen as voluntary and as additional deeds that boost their role in society, and thus prominently brought out in communications (Matten & Moon, 2008). CR is perceived to add value to the business' image, since CR is a sign of the company going above and beyond their business to assist society (Matten & Moon, 2008). In contrast, the more collectively oriented European context, where companies are seen as another type of citizen and an integral part of society itself, is characterized by both regulated and voluntary CR actions that are on a more "implicit" level than those of North American companies (Matten & Moon, 2008). The European view, argue Matten & Moon, is that businesses are accountable for doing their part in society, as they are part of the fabric of society, and so CR actions are not seen as something that must be explicitly mentioned, let alone marketed (Matten & Moon, 2008). This more integrative CR response is largely a function of the more integrated social welfare system of European countries, more closely embedding social sustainability into business activities in the form of e.g. insurance schemes and unemployment premiums (Mirvis & Googins, 2006, pp 120; Matten & Moon, 2008). Many of the CR policies performed in explicit contexts become redundant in implicit contexts, as the European-style coordinated market requires companies, either through regulation or custom, to perform such activities (Blindheim, 2015).

A case study by Alexander, Purdy & Neil (2010) comparing the Finnish and American contexts supports this theory, noting the importance of CR as a "signalling" device in explicit contexts (Alexander, Purdy & Neil, 2010, pp 18). Crucially, the contrast of CR as either individual, voluntary acts or collective acts of citizenship creates a difference in agency of

CR, constructing different roles for business in different countries and limiting the extent to which companies can define their own CR activities (Matten & Moon, 2008; Blindheim, 2015). In the implicit context, CR is defined more from the government level, and in terms of how the collective is understood by all actors of society, whereas CR in the explicit context is nearly singularly defined by the company (Blindheim, 2015; Matten & Moon, 2008).

Beyond these societal structures, other elements of the national context play a role in defining CR. Strand, Freeman & Hockerts (2015) demonstrate how the Scandinavian cultural and political context have reinforced the role of business as a collective member. The authors point to the strong tradition of stakeholder engagement as one of the reasons for the strong integration of business and CR within society in the region, while noting a myriad of other cultural influences such as the femininity of the culture, humility, and a focus on honesty and “walking the walk” as factors in developing an integrated, more implicit approach to CR (Strand, Freeman & Hockerts, 2015, pp 11). Within the Finnish context, similar cultural influencers play a part in developing the role of business and CR models. Panapanaan, Linnanen, Karvonen, & Phan (2003) found that historical Finnish cultural characteristics such as a sense of duty to act responsibly, a high regard for morality and business ethics, and acting for the community the business operates in, have resulted in CR being taken for granted or as self-evident by companies themselves. Indeed, Alexander, Purdy & Neil (2010) find that the monetary or time value of CR actions practiced in explicit contexts is not necessarily consistently higher than of those in implicit contexts, demonstrating that CR actions are not automatically larger in explicit contexts, but just better marketed – i.e. made more explicit. Strand, Freeman & Hockerts (2015, pp 13) further point out that the highly implicit Scandinavian context has seen the strongest CR and sustainability results from companies. In other words, CR in Scandinavian and particularly Finnish companies exists at the implicit level theorized by Matten & Moon, yet the act of doing business sustainably is not a foreign or ignored concept.

*Beyond a dichotomous world: the nuances of implicit and explicit contexts*

However, the line between implicit and explicit national contexts is becoming blurred. Matten & Moon (2008) note that, through recent political and societal shifts in how sustainability is spoken about, the European market has slowly begun to move towards a more explicit context, though the authors still argue that this brand of explicit CR is distinctly different and more focused on specific, rather than general, issues compared to the North American context (Matten & Moon, 2008, pp 415-6). Maon, Swaen & Lindgreen (2015, pp 405) also recognise this shift in the European context but emphasize that the European market is not as homogenous as the Matten & Moon model might imply.

To this end, Maon, Swaen & Lindgreen (2015) outline four distinct typologies for CR in Europe that are born out of established institutional frameworks. These typologies range from a partnership model in the Nordics where corporations and other societal actors cooperate to solve collective problems, to a more explicit, “business in community” model in the UK and Ireland where businesses are pushed to participate in society and dialogue rather than assumed to be a part of it (Maon, Swaen & Lindgreen, 2015). Maon, Swaen & Lindgreen (2015) explain how different orientations towards CR create these regional variations: a capability, process-oriented approach results in developing internal skills and processes within the company to advance CR; a market, outcome-oriented approach results in company outputs, such as products, as a mechanism for practicing CR; and a discretionary, community-driven approach results in bettering the life of the community outside of the company through CR practices unrelated to the company’s core business (Maon, Swaen & Lindgreen, 2015). These three driving forces are differently weighted by companies within distinct regional clusters to create unique combinations and thus unique CR approaches within Europe (Maon, Swaen & Lindgreen, 2015). Within their quantitative study, the authors find that companies in the Nordic cultural context most equally balance all three approaches, while addressing CR issues most comprehensively compared to their European counterparts (Maon, Swaen & Lindgreen, 2015).

Further examining the Nordic region, Panapanaan, Linnanen, Karvonen, & Phan (2003) note that CR in Finland has developed towards a more managed and explicit approach due to globalization: as operations expand beyond Finland, the scope of CR issues and concerns for Finnish companies widens, in addition to opening these businesses up to global scrutiny on sustainability issues (Panapanaan, Linnanen, Karvonen, & Phan, 2003, pp 138). Similarly, authors Carson, Hagen & Sethi (2013, pp 18) show that within the Scandinavian context, globalization has caused a shift towards more explicit CR as Scandinavian firms begin to use CR for competitive advantage where they cannot necessarily compete globally on price.

However, this shift to a new way of thinking about CR may not be entirely smooth. In the previous section, we saw how Kujala, Rehbein, Toikka, & Enroth (2013) demonstrated the gap between strategic and operational CR. Part of this gap is explained by the authors through new societal pressures on Finnish companies, moving strategic CR towards a more explicit context to focus on issues outside of the immediate community the company operates in as well as reporting, while operational CR remains on a more implicit level, focusing on immediate community and internal stakeholders or operations (Kujala, Rehbein, Toikka, & Enroth, 2013, pp 158). The ensuing gap reflects how difficult it is to thoroughly change a company influenced by deep cultural roots, even when a shift is made on the more global, corporate scale (Kujala, Rehbein, Toikka, & Enroth, 2013; Alexander, Purdy & Neil, 2010). The challenges presented by new external influences is further highlighted by Strand, Freeman & Hockerts (2015), who question the ability of Scandinavian companies to successfully shift to an explicit context without compromising the current value of their CR, due to the explicit context being in such sharp contrast to Scandinavian cultural frameworks (Strand, Freeman & Hockerts, 2015, pp 11). The authors consider the possibility of Scandinavian firms losing “the walk” as they shift from “walking the walk” to “talking the talk” (Strand, Freeman & Hockerts, 2015, pp 11).

### *The interplay between national context and firm-specific choices*

This national context influences not only how a company understands its and CR's role in society but can also influence internal organization and operationalization of CR. Alexander, Purdy & Neil (2010) show that the preference for visibility in explicit contexts results in higher formalization of CR practices and agendas as compared to that of firms in implicit contexts. Additionally, firms in implicit European contexts tend towards CR activities that are more strategic and closely related to a company's core business, as compared to CR activities in explicit contexts (Alexander, Purdy & Neil, 2010). This may suggest that as CR activities become more distant from the core business of a company, these activities must become more formalized for effective management (Maon, Swaen & Lindgreen, 2015; Alexander, Purdy & Neil, 2010).

Blindheim (2015), on the other hand, observes that while agency in defining CR plays a key role in how companies deploy CR, the level of integration to core activities is mainly related to the scope of issues the company chooses to tackle. Blindheim (2015) delineates between expansionist or contractive CR in both implicit and explicit contexts (Figure 3). Expansionist agendas address a broader range of CR issues that can go beyond the company's core economic activities in the market, while contractive agendas are more focused on issues strictly within the company's interests and economic activities (Blindheim, 2015).

	Responsibility mechanism	
	Corporate	Collective
Scope of CSR issues		
Broad	Explicit expansionist CSR	Implicit expansionist CSR
Narrow	Explicit contractive CSR	Implicit contractive CSR

*Figure 3: C(S)R models differentiated in explicit and implicit contexts based on scope of issues and responsibility (Blindheim, 2015)*

However, in implicit contexts where the collective, not the corporate, defines CR agendas and actor roles, a more passive role for CR is necessary (Blindheim, 2015). Companies then tend to act in a more administrative role within their chosen CR strategies, such as through industry-led steward programs on relevant social or environmental issues, or by

implementing internal health and safety regulations. In contrast, companies in explicit contexts take on more visible, outside-oriented actions, such as donating time or money to their chosen causes, as in these contexts corporate actors are in a key role in defining what issues they will address and how to address them (Blindheim, 2015; Maon, Swaen & Lindgreen, 2015). This corporate agency therefore allows the company to take on a more leading role in their chosen CR issues (Blindheim, 2015). Overall, these outside-oriented actions seem to lend more readily to a philanthropic, seemingly ‘bolt-on’ CR approach, while the administrative, collectively controlled CR actions in implicit contexts more closely align with the CR integration approach outlined by Halme & Laurila (2008), emphasizing sustainability of internal or immediate external effects of business operations (Blindheim, 2015; Matten & Moon, 2008; Alexander, Purdy & Neil, 2010). This contrast shows the power of societal expectations on developing CR agendas. However, rather than merely demonstrating less advanced CR evolution in explicit contexts, the results of philanthropic action can be more rewarding for companies in explicit societies than they would be in implicit ones. This is due to this kind of activity helping companies meet the cultural expectations that explicitly oriented society holds about how businesses should act (Mirvis & Googins, 2006, pp 120).

#### *Firm structures and corporate responsibility*

While this macro-view of CR motivations within a national or regional context creates a starting point for understanding the wider context of business’ role in society, firm or industry-level influencers can help further account for differences between very similar firms within the same regional contexts (Beschoner & Hajduk, 2017; Orlitzky, Louche, Gond & Chapple, 2015; de Graaf & Stoelhorst, 2009). Indeed, in defining which of these levels has the most influence when it comes to the outcomes of corporate sustainability practices, Orlitzky, Louche, Gond & Chapple (2015) demonstrate that firm-level factors have the most influence on variation in corporate social performance, while the macro-level emphasized by national differences is more significant only in corporate social performance concerning shareholder initiatives (Orlitzky, Louche, Gond & Chapple, 2015). While this quantitative

study looks at CR from the opposite end of the spectrum, focusing on CR outcomes rather than how CR is shaped or practiced, the implication is that the national macro-scale may be of secondary relevance when it comes to differences in companies' CR (Orlitzky, Louche, Gond & Chapple, 2015).

In a similar vein, van Marrewijk & Werre (2003, pp 108) acknowledge the role of external environments or "living conditions" in creating certain value systems within companies but emphasize that these value systems then interact with a company's specific level of ambition and its internal, strategic aims and intentions to create different CR responses. The authors go on to delineate six distinct transcendental stages of CR approaches, each corresponding with specific organizational structures, value systems, and external conditions (van Marrewijk & Werre, 2003). These CR stages are fluid; as the CR activities at one stage cease to apply to a company's external conditions or their internal ambitions or value systems, the next level of CR is adopted (van Marrewijk & Werre, 2003). The firm-level activities that contribute to this variation in CR are established structures and ways of working, or the fundamentals of how the company is set up (de Graaf & Stoelhorst, 2009; Orlitzky, Louche, Gond & Chapple, 2015; Galbreath, 2010). De Graaf & Stoelhorst (2009) highlight the importance of companies' internal governance structures on how company CR is practiced, arguing that governance structures, i.e. the formal procedures that fundamentally determine how companies make decisions, shape how companies respond to their national context, defined by the authors as the encompassing national governance system. Differing governance structures between companies then result in different CR responses within the same national context, creating unique combinations that manifest as different CR agendas (de Graaf & Stoelhorst, 2009).

Similarly, Galbreath (2010) demonstrates that having in place formal planning structures across company functions positively contributes to demonstrable CR in companies, likely due to the positive effects of being able to leverage systematically collected information from various stakeholders and other CR-related sources. Notably, however, Galbreath (2010) goes

on to show that company culture can make a difference in how strongly these formal planning structures influence CR agendas: specifically, having a humanistic company culture that “fosters the maintenance of harmonious relationships” (Galbreath, 2010, pp 515), as opposed to a competitive company culture, will positively influence the degree to which CR is demonstrated within the company (Galbreath, 2010).

Mirvis & Googins (2006, pp 121) also point to company culture and leadership as strong factors of influence for company CR and note that this type of “push” strategy from within a firm can account for more sustained success in CR as opposed to an external “pull” strategy asserted by external stakeholders. Further describing these internal structures, Vidal, Kozak & Hansen (2015) provide a summary of the four main internal determinants of company CR success: internal drivers, organizational structures, attributes of practice and formal processes. While internal drivers constitute the motivation for CR and can “originate from either inside or outside of company borders” (Vidal, Kozak & Hansen, 2015, pp 706), the latter three flesh out the concepts of governance or formal planning structures within companies into smaller building blocks. These building blocks include management structures, job descriptions, decision-making pathways, structural tools and performance monitoring mechanisms, while keeping in mind relative and informal sources of influence such as the standardization, cost and origin of knowledge which can influence how decisions are made (Vidal, Kozak & Hansen, 2015). The above models imply that a company can be set up for a certain CR approach, rather than being entirely driven by external forces.

#### *The influence of industry context*

Combining the national macro view with the firm-focused perspective, Beschorner & Hajduk (2017) have argued that industries themselves represent a type of cultural context, each with its own institutional logic and identity, and with stakeholders and problems shared across industry players. CR activities can then not only be contrasted across country contexts, but also industry contexts (Beschorner & Hajduk, 2017). Beschorner & Hajduk (2017) argue that looking too deeply at the motivations and power dynamics within a firm tends to ignore the



significant role of other stakeholders such as regulators, consumers, and competitors within an industry, which can limit the ability of firms to diversify their CR strategies. Rather, focusing on the industry level allows for a more clearly defined cultural context based on actors, modes of cooperation, and other similarly shared characteristics between firms which are hidden by looking solely at the national context or are forgotten when focused on a firm-specific view (Beschorner & Hajduk, 2017).

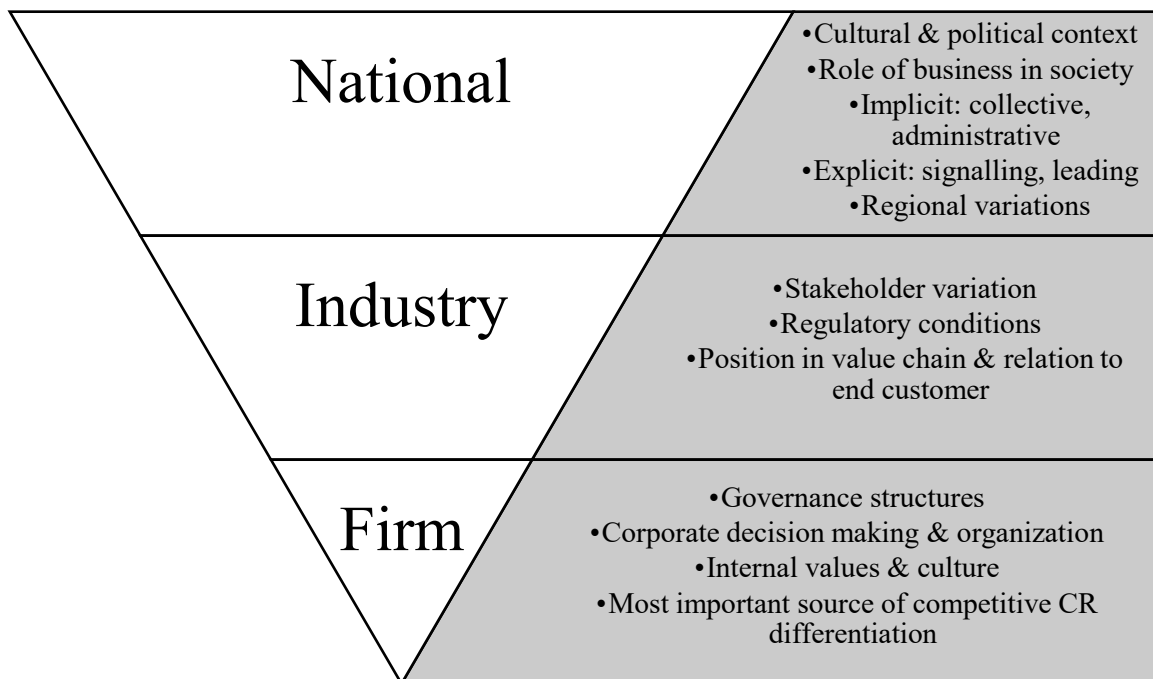
Moura-Leite, Padgett & Galan (2012) agree with this line of thinking, pointing out that stakeholder concerns are very industry-specific, and thus will strongly influence CR approaches. Dabic et al. (2016, pp 268) further show that certain industries can be overall much more sophisticated in their approach to CR than others, pointing to how CR changes in relation to the industry's position on the value chain. Companies closer to the consumer or more visible within the value chain may favor more philanthropic, explicit approaches, while those in the preliminary, less visible stages, such as in mining, may focus on activities more indicative of CR integration, such as addressing health and safety issues (Dabic et al., 2016, pp 255).

An example of this variation in industry CR concerns is seen in Maloni & Brown's (2006) findings, looking at the specific topics that dominate CR in the food industry supply chain, and which highlight topics such as animal welfare, fair trade, biotechnology and labor issues as key considerations. Looking at these topics, it is clear that an industry focus provides a more nuanced analysis of the types of CR and the levels of CR practiced when comparing companies (Beschorner & Hajduk, 2017; Maloni & Brown, 2006; Dabic et al., 2016). Indeed, Moura-Leite, Padgett & Galan (2012) further argue that a company's CR can only be analyzed in relation to other companies within its industry, emphasizing the importance of context and relative performance in understanding CR. That said, the authors do point out that firm-specific CR approaches will still be relevant, particularly in creating a competitive advantage or individualized approach in comparison to other similar companies (Moura-Leite, Padgett & Galan, 2012, pp 1215). Interestingly, Moura-Leite, Padgett & Galan (2012)

find that social CR issues are much more likely to be successfully used as a form of differentiation of CR within an industry as compared to environmental issues, and thus are more relevant when considering or comparing firm-specific CR actions.

#### *Overview on motivations for practicing corporate responsibility*

Overall, the frameworks outlined above demonstrate how CR is shaped by different social constructs either on the national, industry or firm levels. These levels of influence are summarized in Figure 4, showing what factors play major roles in each level and how these influencers manifest in a company's CR approach.



*Figure 4: Summary of CR motivators (Matten & Moon, 2008; Blindheim, 2015; Alexander, Purdy & Neil, 2010; Maon, Swaen & Lindgreen 2015; Beschorner & Hajduk, 2017; van Marrewijk & Were, 2003; de Graaf & Stoelhorst, 2009; Galbreath, 2010; Vidal, Kozak & Hansen, 2015; Dabic et al., 2016; Moura-Leite, Padgett & Galan, 2012)*

National contexts can give an idea of the role of business in society, and by extension of CR in business, demonstrating cultural influences that can apply across businesses. On the other hand, the specific industry context of companies can further provide clues on how their CR approach has been shaped based on stakeholder concerns and the structure of the value chain. Finally, it is important to distinguish between the specific *modus operandi* of companies, as

these will likely contribute to the largest differences between companies (Matten & Moon, 2008; Beschorner & Hajduk, 2017; de Graaf & Stoelhorst, 2009).

### 2.3. Theoretical framework

The literature outlined above provides a solid understanding of how CR is practiced within companies, how these activities relate to a company's core business, as well as outlining the key factors influencing these CR approaches. It is clear that the questions of how and why companies practice CR have been well researched and documented through case studies and quantitative analysis, as demonstrated above. Further analyzing how companies practice CR has led to the development of several models of transformative stages of CR, each of which is defined through different CR activities. Of these, perhaps the most clear-cut and simplest model is Halme & Laurila's (2008) three-stage approach. These stages, though they provide a way to characterize CR agendas, should be analyzed through different levels and aspects of the business, as a company can exist at various stages of transformation in different areas of their business (Mirvis & Googins, 2006; Amini & Bienstock, 2014). Furthermore, the development of a company can be tracked through these stages, and this development is largely motivated by the increasing importance of sustainability as a competitive differentiator for business strategy (Halme & Laurila, 2008; Mirvis & Googins, 2006; Gazzola & Colombo, 2014; Laszlo & Zhaxembayeva, 2011). This increasing role of sustainability as a competitive advantage or as a source of financial profit provides one clue as to why companies would practice CR (Halme & Laurila, 2008).

To further understand why companies engage in CR and specifically, why companies engage in different types of CR, we have looked to institutional theory, outlining three structural levels of influence on a company's CR agenda. On the country level, societal structures can create explicit or implicit contexts, as described by Matten & Moon (2008), mainly characterized by the role of business in society, which in turn influences how companies approach CR and which issues they deem relevant or even marketable. As these socio-cultural structures evolve, so do the CR approaches of the companies within them (Matten &

Moon, 2008; Strand, Freeman & Hockerts, 2015; Alexander, Purdy & Neil, 2010). On the firm level, company structures, specifically the formalized decision-making structures described by de Graaf & Stoelhorst (2009), and further detailed by other authors, can inhibit or advance CR agendas (Galbreath, 2010; van Marrewijk & Werre, 2003). Finally, industry-level factors will add a layer of influence, driving CR choices towards industry-relevant stakeholders and stakeholder concerns, as described by Beschorner & Hajduk (2017), and illustrated through case studies by the likes of Maloni & Brown (2006).

While this overview of CR is helpful to gain an understanding of a company's overall approach to various environmental and social issues, there remains a gap in understanding very specific areas of CR particularly in the Finnish retail context, among them energy issues. Thus, I will use the framework outlined above to delve deeper into this specific area of CR. The literature outlined in the first section will provide a framework for putting the renewable energy investment strategies of the case companies into a CR context. To this end, I will look at how the case companies speak about energy issues and their investments, and situate these within the Halme & Laurila (2008) model with the aid of the other CR integration models and the actions described by each as characteristics of different stages of CR. This analysis will allow me to create a clear picture of how energy is approached by these companies, as well as create a base for direct comparison between the two. Furthermore, by assessing how the companies view their operating environment, and looking more closely at how they speak of and respond to external influencers, I will be able to more accurately describe the reasons why these companies approach energy the way they do and make comparisons between them. For this purpose, I will examine whether these motivations are indicative of country, industry or firm level factors, as informed by the characteristics of these levels as outlined above. In other words, I will explain the extent to which these motivations emerge primarily from a socio-cultural influence, industry-specific stakeholder concerns, or from differing governance structures.

Finally, a few general notes on the frameworks presented in this literature review, and how this translates into the thesis itself. The literature approaches the topic of CR and company strategy from a critical realist epistemological starting point. The perspective that reality can be independently verified and will apply to a larger population beyond the study at hand is clear in the rule-based results and frameworks that the literature describes (Eriksson & Kovalainen, 2008; Halme & Laurila, 2008; Matten & Moon, 2008; Mirvis & Googins, 2006; Ketola, 2008; Panapanaan, Linnanen, Karvonen, & Phan, 2003). The methodologies employed by the literature reflect this starting point, with most of the research focusing on case studies, interviews, and analysis of CR reporting or corporate actions to get an idea from several perspectives of how CR is practiced in companies (Eriksson & Kovalainen, 2008; Carson, Hagen & Sethi, 2013; Kujala, Rehbein, Toikka, & Enroth, 2013; Alexander, Purdy & Neil, 2010). In these methodologies, the clear assumption is that there is a discoverable reality in how CR is used in companies and what factors affect these decisions, but that knowledge of these realities is confined to the communications companies use to outline their CR activities to stakeholders and the companies as sources themselves (Eriksson & Kovalainen, 2008). Only by looking to multiple sources, for example as done in the study by Kujala, Rehbein, Toikka, & Enroth (2013), can the underlining reality behind the various sources of knowledge be studied.

In a similar vein, I approach my research through a critical realist lens, in that the focus of study is distinctly to observe the processes and motivations underpinning renewable energy investments, while, as described by Eriksson & Kovalainen (2008, pp 19), “acknowledging that the world is socially constructed”. I assume that there is a clear existing process and motivations to be revealed in the course of the research, and which are discoverable regardless of how information is gathered. That said, it is clear that the companies’ own experiences of reality and how they perceived these processes, as well as their weighting of motivations, will color these experiences.

### 3. METHODOLOGY

Qualitative research is the best approach to gain rich data that will provide an overall view of the relationship between corporate responsibility and energy in these firms. In the following section, I will first outline the general research context and how the research was structured, before providing a more detailed look at the data collection process and data analysis methods. Finally, a short evaluation of the study concludes this section.

#### 3.1. Research context and design

The research was conducted using qualitative research methods, through an intensive comparative case study into Finnish grocery retail companies S-Group and K-Group. According to Creswell (1998, pp 76), case studies investigate a bounded system, and in this thesis the case companies present clear bounded systems in terms of place (country, industry) and time (determined by the year in which renewable energies first began to be adopted by the companies). In addition, Yin (2003, pp 1) has noted that case studies are the “preferred method when ‘how’ and ‘why’ questions are being posed”, particularly when studying historical events that continue to have a connection to the present. Understanding the case companies’ experiences with energy represent this type of analysis of a current issue with roots in the past (Yin, 2003).

Case studies have been further delineated by Eriksson & Kovalainen (2008) into intensive and extensive case studies. My research falls into the category of intensive case study, focusing on a unique case or cases to build an understanding of a phenomenon, rather than investigating multiple cases with the aim of proving an existing theoretical concept (Eriksson & Kovalainen, 2008). As the topic of interest is one in which little previous research exists, there was little literature available to use to test a pre-constructed theory or hypothesis, and so an intensive case study was the ideal approach. The thesis study was therefore exploratory in nature, with the aim of developing initial knowledge about potential problems or specific points of interest in this area (Yin, 2003). Rather than mapping trends, the research is interested in the uniqueness of the case itself, further fitting the criteria for an intensive case

study. However, by deviating slightly from a traditional single-case study and comparing the experiences of two case companies, richer insights may be found that can be applicable beyond the case companies themselves, increasing generalizability and creating a basis for developing further hypotheses in this area (Yin, 2003). For example, by pinpointing similarities or differences in these two cases it is possible to uncover initial grounds for more systemic trends in renewable energy adoption strategies, which can then provide more accurate suggestions for practitioners or for further research (Morais, 2011).

As Eriksson & Kovalainen (2008) discuss, a researcher creates a case study by defining the boundaries of their case. The case companies were selected on the basis of knowledge of the Finnish renewable energy market. The case companies represent two critical cases for observing this phenomenon, in that they are the most influential light industry players in the renewable energy sector (Yin, 2003). A key component of further defining the boundaries of the case study were public documents collected on the companies related to their renewable energy investments, such as press releases, CR reporting and news articles. These documents were used to define a timeline and initial understanding of renewable investments in these companies and to further inform the collection of primary data through interviews. The documents provided an overview of the case studies and uncovered points of interest to guide the content of the interview questions. Interviews in turn comprised the primary data for the case studies, as the primary means to understand the case “from the inside” (Eriksson & Kovalainen, 2008, pp 118). Without the interviews, it would have been difficult to gain access to information about the companies’ internal processes or the decisions that guided actions seen through the public eye. These interviews thus ensured that the case studies were fully developed.

### 3.2. Data collection

Data collection consisted of conducting interviews and collecting and reading secondary documentation. Through inspection of corporate structures, I identified key CR and energy employees as interviewees within the corporations. I received feedback on these lists from

the top CR managers for each company, who further recommended specific individuals within the company to speak with who had relevant information to my research. In this regard, the interviews were highly determined by who the case companies' themselves saw as relevant to these processes. In addition, through secondary data, including press releases and news articles, I identified one retailer to interview from each Group who had been involved in the Groups' renewable energy projects. A key consideration in the interviewee selection process was to gain access to employees who have been at the company for several years or who were in positions higher up in the organizational chart. These higher-level employees were able to provide more detailed accounts of the processes the companies have undergone in their energy transition, as well as a higher-level view of company activities than what lower-level employees could provide. In total, I interviewed three employees from each company, all in some way involved in the process of moving to renewable energy and/or implementing the change. These interviewees included:

S-Group:

Senior director, S-Voima (interviewed October 3, 2017)

CR manager, SOK (interviewed November 24, 2017)

Property manager, Cooperative Society Hämeenmaa (interviewed October 25, 2017)

K-Group:

Senior engineering manager, Kesko (interviewed October 13, 2017)

Environmental specialist, Kesko (interviewed October 13, 2017)

Retailer-entrepreneur, K-Citymarket (interviewed November 2, 2017)

The interviews conducted were semi-structured interviews. Semi-structured interviews are interviews where a topic has been determined and interviewee answers are not limited (Eriksson & Kovalainen, 2008). The semi-structured interviews allowed me to better compare the answers of the two companies, as both company representatives answered similar questions related to the same subareas of the topic. On the other hand, deviating from a fully structured interview allowed for the interviewees to elaborate further and tell stories about their experiences, getting deeper into the motivations of the companies and allowing



for richer descriptions of the processes involved (Gubrium & Holstein, 2001a). These stories in turn opened the possibility for follow-up questions more specific to the company and their experiences. Opening the possibility for stories was important for the research in large part due to its exploratory nature – stories from the employees helped to construct patterns and shape initial theories in response to the research question, where academic research is still lacking and cannot be used to determine initial theories to test in the interviews (Gubrium & Holstein, 2001a). The questions were slightly altered to match the interviewee's area of expertise: for example, CR professionals were asked how energy relates to the CR agenda of the company, while operations managers were asked questions more focused on energy in relation to operations. The interviews consisted of nine to ten open-ended questions (see Appendix 1) along with a few planned follow-up questions aimed to get the interviewee elaborating on their experiences. Ad-hoc follow-up questions were added based on interview content. Interviews lasted between half an hour to one hour and were limited to one interview per employee. The interviews took place during the fall of 2017, and half of them were conducted in English, while the other half was conducted in Finnish at the request of the interviewees. Due to geographical constraints, one of the interviews was conducted via phone, but all others took place in-person on company premises. All interviews were later transcribed to prepare them for data analysis, with the exception of two K-Group interviews, which were not recorded. In this case, a transcription of my own oral notes, recorded immediately post-interview, were transcribed. All transcriptions were further supplemented and cross-referenced with my personal written notes from the interviews.

In addition to this primary data, secondary data in the form of documents related to the case companies' renewable energy investment strategies lay the groundwork for understanding the relation between energy and CR, constructing timelines of the companies' energy transition processes, as well as understanding how the company presents these initiatives to outside stakeholders. These documents included CR reporting from both companies from the past ten years (2006-2016), with a focus on how energy is discussed and the actions surrounding the companies' energy consumption and production. The ten-year timeframe

was largely determined based on the age of S-Group's pioneering wind power initiative, TuuliWatti, which was established in 2009 (SOK, 2015). Looking at reports a few years prior to the actual creation of TuuliWatti allowed for a better understanding of the initial steps that S-Group went through prior to creating the initiative. The reports from K-Group were studied based on this timeline, as their solar initiative in its current scope has followed the formation of TuuliWatti, with the most significant progress starting in 2016 (K-Group, 2016a, 2016d). After reviewing the documents, this timeline was seen to be sufficient for gaining a thorough understanding of the most noteworthy and relevant renewable energy investment strategies of both companies, and investigation of older CR reports was deemed irrelevant for the purposes of this thesis. These reports constituted the most important secondary source of data, as they provided the overall timeline to understand how the companies have begun investing in renewable energy, what part energy plays in the organizations, as well as to develop a general understanding of the companies' approach to CR.

The study of additional documents was then based on the findings from these CR reports. These documents included company press releases and news articles, researched based on headlines, keywords and the ten-year time span indicated by the CR reports. Keywords such as the company names plus energy, specific types of renewable energy production like wind and solar, or key staff such as the leads of the energy initiatives and departments were utilized in this search, for example: 'Kesko + solar power' or 'wind + S-Group'. These documents were accessed through the public company websites and through the online archives of two of the largest and most prominent Finnish financial newspapers, Kauppalehti and Helsingin Sanomat. In addition, a Google news search with keywords combining the company names and solar or wind provided articles from a few smaller news outlets. Key topics or messages from these documents were then centrally collected to prepare them for data analysis. In addition to providing further details on the timelines and public face of the company regarding their energy investment strategies, this secondary data provided an important data triangulation method for the research, to compare to the information collected from the company directly (Yin, 2003). This triangulation is crucial in case study research to balance

weaknesses of data, such as bias, collected from the interviews (Eriksson & Kovalainen, 2008). Finally, it should be noted that the secondary data was collected entirely in Finnish, as richer and more detailed information was available in this language.

### 3.3. Data analysis

With this data collected, in the first phase of the data analysis process, I performed a thematic analysis on the interviews and secondary data. Thematic analysis aims to identify key themes or categories evident in the data, in this case interview answers and secondary data (Eriksson & Kovalainen, 2008). This provided a way to begin narrowing in on significant themes that repeated throughout the interviews, and through thematic analysis of the documents, drawing up a clearer timeline and story of how and why the companies have invested in renewable energies. Generally, my method utilized a grounded theory approach, in that the coding for the analysis emerged from the data collected, rather than being pre-determined through theory, as the topic has yet to be researched to any great extent (Gubrium & Holstein, 2001b). While the interview question themes kept the interviewees' stories aligned to the research topic, the concepts and details that emerged from both the interviews and the secondary data as central to the analysis were largely determined through a reflexive and iterative exercise between myself and the data (Gubrium & Holstein, 2001b; Yin, 2003). Data processing followed a linear path, with collection of documents, analysis and construction of the timeline beginning prior to the interviews, with minor overlap to confirm details brought up in the interviews through secondary data. Interview transcription and analysis took place after all interviews had been conducted. Following this pattern-finding exercise for each case, a cross-case synthesis was performed, comparing the patterns that emerged in the two cases to one another to determine larger, overall themes (Yin, 2003).

With this thematic analysis conducted, I next present the case studies using a linear-analytic narrative analysis method, first focusing on S-Group and then on K-Group, before providing a cross-case analysis, comparing the two side-by-side and linking the discussion back to the literature (Yin, 2003). This technique is well suited to convey the overall story of how S-

Group and K-Group have invested in renewable energies and how this has been informed by their evolving CR approach, allowing me to organize the patterns found in the analysis into a cohesive narrative (Eriksson & Kovalainen, 2008). Finally, I will conclude with a discussion on the implications for further research and for the industry more generally.

### 3.4. Evaluation of the study

Within the scope of critical realist research, Eriksson & Kovalainen (2008, pp 291) remark: “The three concepts of reliability, validity and generalizability provide a basic framework for the evaluation of research in social sciences”. For the research outlined above, the reliability of the results, or the extent to which the results could be replicated by another researcher, could be argued to be quite strong within the critical realist viewpoint (Eriksson & Kovalainen, 2008). The research aims to produce knowledge that is indicative of what really happened in these companies’ renewable energy investment process and how this relates to the company’s CR approach. However, it must be acknowledged that the research data is heavily weighted towards information coming from the companies themselves, and the case companies are very large organizations. This means that the perceptions of energy, how energy relates to CR agendas, and indeed what CR is to the company, have the potential to fluctuate depending on who is being interviewed within the company and when interviews take place. Due to this human factor, it is possible that within the scope of the thesis, key areas of the renewable energy investment process may have been overlooked or missed in the collection of primary data.

To mitigate this potential issue, a thorough analysis of secondary data, and a comparison to the primary data, was critical to ensure that the processes and motivations of the companies are viewed from both the external and internal perspective. This triangulation of data from external and internal resources enhances the reliability of the research, but is particularly important in establishing its validity, or how well the research reflects the real phenomena being studied (Eriksson & Kovalainen, 2008; Yin, 2003). Another way to further strengthen the validity of the results was through a member check, allowing both S-Group and K-Group

to review the full thesis and to provide feedback on its validity in their eyes (Eriksson & Kovalainen, 2008).

In terms of generalizability of the research, or applying the research to a wider context, it is important to keep in mind that the study only goes so far in providing an initial understanding of the renewable energy adoption strategies of these two specific companies (Eriksson & Kovalainen, 2008). However, by examining companies that make up a sizeable portion of an industry with an influential part in Finnish GDP, it is possible to uncover larger themes that can provide fruitful suggestions for further research in renewable energy investments or CR operationalization more generally. The size and long history of the companies thus increases generalizability of the research, due to the companies' deep embeddedness in the Finnish business ecosystem.

Finally, a few notes on ethical matters. In conducting interviews, the foremost concern was that all interviewees take part of their own free will. Gaining informed consent was an important part of the interview process and was done by providing key interview questions ahead of time, as well as asking for explicit permission to record interviews and telling interviewees of the option to later comment on or correct their answers via email (Gubrium & Holstein, 2001a). Furthermore, meeting interviewees at their own place of work provided a familiar, formal and safe setting. Ensuring anonymity of the individuals is also important and as such, only functional titles will be used in the presentation of the data (Eriksson & Kovalainen, 2008). Having partially relied on internal employees to indicate appropriate subjects to interview, it was important to ensure that bias was not introduced in this selection process. External research on the organizational structure ensured that interviewees fit the criteria outlined above. Secondary data further informed these decisions, by examining which persons are often mentioned in or author publications on renewable energy investments in these companies. In general, the principles of good academic work are upheld throughout the thesis by denouncing plagiarism, using proper quotations and paraphrasing references (Eriksson & Kovalainen, 2008).

## 4. THE CASE STUDIES

This section presents the research findings on the two companies as two distinct case studies. For each company, an overall description of the company, its CR approach and current energy strategy are first presented, followed by an overview of the main reasons why the company invested in renewable energy and how this process occurred.

### 4.1. S-Group

The S-Group business model leans heavily on a tradition of cooperative owning, dating back to its foundation in 1904. Formally, S-Group comprises of SOK, a corporation and its daughter companies, all owned by 20 independent regional S-cooperatives and seven local S-cooperatives. These local and regional entities then operate the S-branded stores and are owned by their customers, or the so-called co-op members (SOK, 2017a). According to the official S-Group description, SOK “operates as the central company for the cooperatives and provides them with procurement, expert and support services” (SOK, 2017a). Due to its cooperative model, S-Group’s main objectives are member-focused, aiming to provide “competitive services and benefits profitably” to its members (SOK, 2017a). The S-Group family includes activities in a variety of sectors, including supermarkets, department stores, banking, hardware trade, travel and hospitality, and service station and fuel trade, with over 1,600 stores under its brand and an employee head count of around 40,000. SOK also operates outside of Finland, in Russia and the Baltics under the S-Group brand (SOK, 2016). Of these sectors, roughly 70% of S-Group’s sales are in the supermarket sector, at 7.7 billion EUR in 2016, compared to groupwide sales of 11 billion EUR (SOK, 2016). This accounts for 47.2% of total grocery retail sales in Finland (SOK, 2016).

S-Group’s CR activities are currently governed through a central SOK Responsibility unit and have evolved greatly in the past ten years. While in 2006, the company’s CR activities were still disjointed, vague and largely anecdotal, by 2008 the company was working towards better defining their goals through stakeholder management programs, and in 2012 the Group explicitly stated the goal of becoming a forerunner in sustainability (SOK, 2006; SOK, 2008;

SOK, 2012). Since then, the Group has implemented GRI reporting standards and established a new CR team, with the latest CR agenda introduced in 2016, containing goals reaching to 2020 and leaning heavily on the newly introduced UN Sustainable Development Goals (SOK, 2016), with further Science-Based CR goals introduced in 2017 (SOK, 2017b). According to the company, the responsibility unit works closely with other units and subsidiaries to implement responsibility agendas, while strategic decisions and principles are approved by the board. In addition, S-Group formed an outside Advisory Group in 2014 to assist with keeping up to date on best practices related to responsibility, innovations and risk assessments (SOK, 2016).

S-Group has also formed a separate entity, owned by the cooperatives and SOK, to consolidate their energy purchasing and production. S-Voima (from Finnish: S-Power), was formed in 2010 and initially consisted of three initiatives: Fennovoima (S-Group's share of the Fennovoima nuclear energy project in Finland), Kimppasähkö (consolidated electricity purchasing for S-Group) and TuuliWatti (S-Group's joint venture into wind power production with Finnish energy company St1) (SOK, 2010). Of these, Fennovoima was eventually dropped by the Group in 2012, leaving Kimppasähkö and TuuliWatti as the main components of S-Voima (Fennovoiman voimala, 2012). Energy efficiency has also continued to be a central focus of the group's energy and CR strategy from the outset, in addition to the investments in renewables. S-Group took part in the sector-wide energy efficiency pact between 2008-2016, which aimed for 70 GWh energy savings across the Group within the eight-year span. Since the end of this agreement, S-Group has joined a new pact to determine individualized energy efficiency goals for each of its retailers, and this had been achieved for 52% of retailers by the end of 2016 (SOK, 2016). Overall, this focus on operational efficiencies is indicative of the Group's CR approach: CR goals and reporting are focused on the sustainability of operations from various angles.

The Group's energy efficiency efforts are significant on a national scale, as S-Group has been the largest consumer of energy outside of heavy industry in Finland since 2014. In 2016 the

Group consumed 1,138 GWh of electricity and an added 445 GWh of heating energy, a slight increase from the year before (SOK, 2016). Thus, it is quite impressive that while most of S-Group's energy is still bought externally, in 2016 TuuliWatti's wind power production covered up to 50% of S-Group's electricity needs, with an average of 35% for the year (SOK, 2016). The Group's goal is to cover 80% of its electricity through its own renewable energy production by 2025 (SOK, n.d.). Wind power has been the main mechanism for achieving this goal. TuuliWatti has seen aggressive growth since its inception in 2009, from an initial 100 million EUR investment in 2010 and one operational windmill in 2009 to a new 400 million EUR investment in 2011, and tens of windmills built every year since. This has led to 90 windmills in operation in 2016, with a further 41 in construction in 2017 (SOK, 2009, 2011, 2016). By the end of 2017, TuuliWatti's total capacity numbered 131 windmills in operation, translating to up to 1.4 TWh of energy production per year, or a third of Finland's yearly wind energy production (SOK, 2016; St1, 2017a). TuuliWatti owns 23% of Finland's wind power capacity, with the two next biggest parties owning 14% and 11% respectively (Finnish Wind Power Association, 2017).

In addition to wind power, S-Group has dabbled in solar energy production, having piloted solar panel use at their ABC-chain stores in 2012, and in 2016 installing 400 panels on one of their new supermarkets, S-Market Hennala (SOK, 2016). Furthermore, in the summer of 2017 the Group debuted a new super energy-efficient store in Oulu, Finland, a pilot project with other research partners such as Finnish technical research centre VTT (Degerman, 2017). The store uses half the energy typically needed for a store of its size and produces part of the store's energy through solar panels placed on its roof (Degerman, 2017). Similar pilots into smart energy, demand-side management, and new cooling/heating systems characterize S-Group's current approach to finding diverse new ways to save and produce energy.

The above presents a snapshot of the current situation for S-Group as a company practicing CR and investing in renewable energy. However, understanding that this is where the Group has landed now is merely the beginning. We now turn to understand how and why this has



happened. In doing so, we uncover three underlying drivers of S-Group's renewable energy investment decisions: financial incentives, internal culture and partnerships, and changes in the external environment. While each of these has proven to be a significant motivator for adopting renewable energy, each has in its own way hindered the process. What is clear is that each of the three is a puzzle piece without which the ambitions towards wind energy production, and now emerging solar energy production, would not have been possible.

#### **4.1.1. Financial incentives**

Perhaps the most emphasized motivator for S-Group's interest in self-produced renewables has been the financial incentives behind these investments; mainly characterized by the rising cost of electricity, which served to increase not only the attractiveness, but also the profitability of renewable technology investments. The other financial incentive in this journey has been government subsidies.

The role of electricity prices in the Finnish market is particularly pronounced when considering S-Group's status as a major electricity consumer in Finland: electricity forms the bulk of the Group's energy needs and thus represents a significant operational cost for the Group. This cost burden has been growing in the past ten years, with a steady increase in electricity price for all consumer types (Energy Authority, 2017; Official Statistics Finland, 2012, 2017a). For medium-scale industry, the price has nearly double from around five EUR cents per kWh in the early 2000's to about nine EUR cents per kWh in 2017 (Official Statistics of Finland, 2012, 2017a). For large consumers like S-Group, this means a significant rise in operating expenses. Price increases are not only a concern for today, but this upward trend creates uncertainty for building the business for tomorrow. In addition, with the Group's overarching goal to provide services and products at affordable prices to its owners, the price increase presents a significant concern on the Group's ability to achieve their primary business objective.

*“The year was 2005 or 2007 -- at the time we saw that electricity price were all the time going up, and in the group people were thinking what should we do, because it seems that the costs were all the time growing.”* – Senior Director, S-Voima

*“S-Group uses more than 1% of Finland’s total electricity consumption, so it might not seem like a lot, but compared to the type of organization that we are, it’s actually quite a lot. -- we want to bring down the cost of energy also, so you know we can then provide cheaper prices for the consumer, for example.”* – CR Manager, SOK

*“It [energy] is 60% of the maintenance rent, a significant portion -- we think a lot about it and how we could lower that burden, since it’s then directly in the consumer price.”* – Property Manager, Cooperative Society Hämeenmaa

The role of electricity prices in maintaining low consumer prices and subsequently, S-Group’s main competitive advantage, was already recognized by the Group as early as the 2006 CR report (SOK, 2016). Indeed, it was the cost of electricity and the poor functioning of the electricity market from a consumer perspective that spurred the first move into producing the Group’s own energy: joining the Fennovoima nuclear project. This was done despite S-Group acknowledging the public controversy over the nuclear project, highlighting further how far the Group was willing to go to achieve electricity cost reductions and electricity price security (Pajari & Kervinen, 2010).

*“Although S-Group invests heavily into energy savings, energy efficiency and the use of renewable energy, it cannot step away from the use of nuclear electricity.”* – SOK CR Report, 2010

The Group eventually dropped out of the Fennovoima project in 2012, but the same motivating factors continued to drive them towards self-produced renewable energy, initially to balance the production portfolio but later as the key investment target. Furthermore, it is

telling of the general concerns surrounding electricity pricing that the initial partnership proposal from St1 to get involved in wind energy was proposed to an association of large electricity consumers in Finland, of which S-Group was a member. Though already established in 2006 as Suomen ElFi Oy, this association developed to its current state in 2016, when S-Group along with several other large electricity consumers formally established the Association of Energy Users in Finland, or ElFi (Suomen Sähkökäyttäjät Ry, n.d). The lobby group represents consumers making up 17% of Finland's electricity consumption, and its activities clearly demonstrate a concern not only for the continued stable supply of power, but more importantly and more visibly, a more transparent and stable financial value for electricity (Kuokkanen, 2017). The history of ElFi and TuuliWatti highlight the continued, pronounced concern for and the significant role of electricity pricing for consumers such as S-Group. Self-produced renewable energy investments, it seems, have become one way for S-Group to circumvent the market system and gain control of their own expenses. In addition to the financial payback of such investments, at S-Group these savings play directly into their competitive strategy and help advance how the Group creates value for its co-op owners, i.e. its customers.

A significant part of the overall picture of wind power in Finland has also been the feed-in tariff subsidies for wind power, formally introduced in 2011. The subsidy, 83.5 EUR/MWh, was granted for a limited amount of capacity, 2500 MW, for a span of 12 years, with the time limit to fill this capacity set at 2020 (Finnish Wind Power Association, n.d.a). The subsidy was calculated to cover about 40% of the investment costs for new wind power systems, and was initially set at a higher rate, 105.3 EUR/MWh, for the first three years of the subsidy system (Finnish Wind Power Association, n.d.a). This system has been the target of much public criticism, specifically for how high the initial tariff was set. The decision drew in hundreds of foreign and domestic investors, and by 2013 Helsingin Sanomat referred to the industry as “overheating”, citing experts who said that all planned projects could not possibly move forward, as the number of applications represented ten times the 2500 MW capacity allocated to the feed-in tariff system largely motivating this gold rush (Mainio, 2013).

Notably, by 2015 TuuliWatti was the largest recipient of feed-in tariff subsidies in Finland, painting S-Group and St1 as targets for critics claiming that subsidies were using tax-payer money to line the pockets of corporations, as TuuliWatti reeled in profit margins of 66% in 2014 thanks to the wind power feed-in tariffs (Kankare, 2015).

Perhaps unsurprisingly, communications originating from S-Group downplay or fail to mention these subsidies at all. However, rather than reflect avoidance of the issue, this may more accurately reflect the relatively smaller overall role that subsidies had to play in the Group's investment decisions. In fact, statements from EIfi in 2008 already noted that wind power generation was profitable even considering electricity prices at that time (Kärki, 2008). S-Group's decision to invest in wind power also pre-dates the formal decision by the Finnish government to grant these subsidies. S-Voima does acknowledge that rumours about such a subsidy scheme were already circulating at the time of their decision to invest, and that these subsidies subsequently made future investment decisions easier to assess and accept. Indeed, based on the aggressive growth of TuuliWatti in the following years (2011-2016), notably the 400 million EUR investment in 2011, as well as the highly publicized large subsidy amounts S-Group received from the government, it could certainly be said that this subsidy scheme helped usher along, and possibly expedite, the Group's investments into wind. However, apart from this nudge, it could be said that the feed-in tariff system did not form the main motivation for S-Group to move forward with their renewable investments. Indicative of the Group's position and relative dismissal of subsidies in their investment decisions is how the interviewed senior director at S-Voima speaks of subsidies in general within the electricity markets. He notes that the feed-in tariff represents the most visible and easy-to-understand form of government payment in energy, being a direct, guaranteed price for energy, while other energy subsidies, such as investment subsidies for solar power, are less accessible to the general public.

*“What comes to let’s say subsidies in general -- let’s put so that all the electricity production facilities what has been built in Finland -- they have received subsidies.”*

– Senior Director, S-Voima

#### **4.1.2. Internal culture and partnerships**

Despite the financial incentives to invest in wind power, investing into a relatively young industry in Finland was not without significant risk. Interestingly, TuuliWatti, and S-Group’s overall aggressive CR transformation agenda, pressed forward at a time when the retail industry, like so many others, was hit hard with the worldwide recession in 2008: a new stakeholder program was established that year, by 2010 all S-branded chains were announced to be getting their own responsibility program, and 2011 saw the largest single investment into TuuliWatti from S-Group at 400 million EUR (SOK, 2010, 2011). At a time when companies everywhere were cutting back, this investment into sustainability reflects the internal drivers that can be said to have further pushed S-Group’s investments in renewable energy, namely, crucial existing partnerships, a long-term focused company culture and a focus on finding new ways of doing their part in society.

A crucial part of the decision to invest in wind power was the Group’s view that wind power technology would develop rapidly, bringing the cost of the technology down dramatically and further improving its profitability. However, this was not a widely held vision within Finland at the time of TuuliWatti’s formation, giving the Group a unique position in the market.

*“We saw already at that time that the technology will lead the change -- it [wind power] will be in the future one of the cheapest ways to produce energy.”* – Senior Director, S-Voima

*“when I joined the Group and I had been participating in different kinds of energy seminars and so forth, and quite many so to say energy experts, they were asking us that ‘why the hell are you investing in wind power.’”* – Senior Director, S-Voima

This visionary and perhaps somewhat contrary attitude became a part of the Group’s thinking in large part thanks to the Group’s partnership with St1. As described by S-Voima’s senior director, the founder and main owner of St1 is “a sort of visionnaire” and was the one to initiate the move to wind power for St1, and later S-Group. The unconventional and at times radical ideas of the founder of St1 on climate change mitigation and future energy, such as his rejection of electric cars or pushing for forestation of the Sahara, are well documented in Finnish media throughout the past few years (Alasalmi, 2017; Lähteenmäki, 2017). Therefore, it is not surprising to hear that a key push to get S-Group moving towards wind power, at a time when others were not so eager to join in, originated from St1. S-Group was at a further advantage as the two companies had previously collaborated on a joint venture into fuel, the Northern European Oil Trade; having established a long and positive history with each other on that front, it was easier for S-Group to jump into a new joint venture with a trusted partner such as St1.

However, the role of S-Group’s internal culture in allowing them to make the leap with St1 should not be discounted. The idea of producing their own electricity to combat increasing electricity prices in itself shows a tendency towards unconventional solutions to problems. Indeed, this was the reason that S-Voima was initially established in 2010: to invest in the Group’s own energy production. This same long-term approach to CR is visible throughout S-Group, whether related to renewable energy projects or sustainability work more generally.

*“we always have to be in on these new forms [of energy] in one way or another.”* – Property Manager, Cooperative Society Hämeenmaa

*“you have to be open to try out new things kind of even though you’re not yet sure what’s the result going to be -- you can think outside the box every now and then.”* – CR Manager, SOK

*“As a major operator, we want to bear the responsibility for the present moment and for the legacy we will leave behind.”* – SVP, Sustainability in SOK CR Report, 2016

While in general, this visionary attitude on technology, the development of their own business, and overall sustainability trends have been key internal determinants of S-Group’s decision to invest in wind power and is generally seen as a source of competitive advantage overall, it has also been a source of frustration for the Group when it comes to group-wide implementation. There is tension between the corporate and the co-op level as in any typical owner-owned relationship, especially when the owned, rather than the owner, makes central, all-encompassing decisions for the entire Group. Furthermore, there are challenges in getting all co-ops onboard and investing in these types of initiatives, whether they be related to energy or sustainability, particularly when it comes to riskier and lesser known investments like new energy technologies. It could be said that the long-term, experimenting attitudes existing at the corporate level are still working their way down to the co-op level, where everyday, more concrete concerns related to operating the stores tend to prevail. Yet encouragingly, the role of each co-op and regional player are seen as an important part of the puzzle, and their attitudes and willingness to try new, ambitious projects are on the rise, which plays into renewable energy projects as well. These regional players, though jointly invested in the wind energy projects of S-Voima, can try out local pilots in e.g. solar energy.

*“the attitude used to be that why save, the habit used to be to just pay whatever came through the mail box – colleagues at the other co-ops do call me and to my knowledge there are quite a few [solar] projects being worked on.”* – Property Manager, Cooperative Society Hämeenmaa

The focus on innovating operating methods reflects the overall ambitious culture of S-Group. This is further reflected in the Group's ever more ambitious self-produced renewable energy targets as a portion of energy needs throughout the years. In 2009, the goal was 20% by 2020, which was bumped up to 50% by 2020 in 2010 (SOK, 2009, 2010). By 2012, the deadline for reaching 50% self-produced renewable energy was bumped up to 2016 from 2020 (SOK, 2012). The Group is not afraid to push its limits and conduct pilot projects in areas where they have little experience, and the internal climate of setting ambitious targets is evident throughout the interviews conducted. A motto of learning by doing, and only later becoming an expert seems to be pervasive within the Group and has served them well in their wind and solar energy projects.

This ambitious internal culture is paired with a sense of responsibility to do their part for society, and this combination proves a strong motivator for the Group to invest in renewable energy and participate in climate change mitigation. Due to its legal structure, the Group sees itself as a mechanism for providing value to its owners and co-op members, and this is reflected in a pragmatic sense of duty in their projects and investments. This applies not only to providing cheaper goods and services, but also to participating in the sustainability movement – where the two goals align, all the better for the Group.

*“one let's say very cost-efficient solution to provide flexibility for the [energy] system is behind consumers like S-Group and those other big consumers.”* – Senior Director, S-Voima

*“We will continue to make everyday life easier for co-op members and develop services they request and need. We also want to do our part in order to make Finland an even better place to live.”* – S-Group CEO in SOK CR Report, 2016

This sense of “doing their part” is seen as a responsibility that cannot be covered simply through financial means. For example, the Group proudly emphasizes the fact that they



produce their own energy, instead of buying green certificates to authenticate the source of purchased electricity, and highlights this as their main mechanism for fighting climate change. This type of ownership and strive for concrete measures within society reflects how the company sees itself in relation to their community. Although there are easier ways to achieve emissions reductions from energy, S-Group strives to be a functional, productive part of society, working with partners like St1 to help it achieve this goal while stabilizing its own business and achieving more independence in energy issues. The Group sees itself as inclusive of the community it serves, and through projects like renewable energy investments, seeks to change the dynamics within that community, for the benefit of the Group and its members.

#### **4.1.3. Changes in the external environment**

Financial incentives and favorable organizational structures have played a major role in S-Group's rise to dominate the wind power market, but external motivators have also influenced the Group's approach. The role of politics and consumer attitudes relating to the overall rise of the sustainability movement have created external pressure to adopt renewables, but in part made the process more difficult.

The energy subsidies discussed previously form one part of the political environment under which the Group's investment decisions have been made. While this political scheme has in fact helped S-Group's renewable investment strategies, the political environment in Finland has made energy investments and decisions more difficult. In particular, the Group sees the political environment's uncertainty and rigidity towards old power structures as problematic. Uncertainty related to fluctuations in electricity prices, the structure of the market for green certificates, and how subsidy schemes will be administered are some of the challenges considered by the Group in making long-term energy decisions. This seems to have created clear disinterest on the part of the Group to invest in green certificates to offset emissions from purchased energy, and indeed emissions from purchased energy are seen as

entirely out of the control of the Group, rather they are left to the energy suppliers to figure out (SOK, 2016).

The controversy surrounding some of these topics, such as the extreme public criticism towards feed-in tariffs, has created a politically unstable climate, in which the Group's ability to forecast their energy costs or opportunities is hampered. In addition, there is clear criticism within the Group towards government policies regulating market structures in the energy space. The Group perceives current structures as favoring existing large energy producers, and displaying ignorance related to the energy realities facing large grocery retailers, particularly as it relates to producing energy or energy efficiency calculations. This dysfunction within the energy markets from a consumer perspective was one of the reasons for S-Group's initial investments into the Fennovoima project. Generally, in such points of contention the Group seems to see themselves as helpless in altering the existing political reality.

*“the law [on energy consumption in grocery stores] had already been written and was in principle decided before our hearing -- it was completely senseless for the grocery stores.”* – Property Manager, Cooperative Society Hämeenmaa

The combination of uncertain energy markets and a perceived ignorance on the part of policy makers, affecting the Group's ability to choose the more sustainable or sensible path, characterize how the political environment has hampered the ability of S-Group to proceed more quickly in their investments. Interestingly, however, an effort to mitigate this uncertainty is also what is driving S-Group towards self-produced renewable energy, as a way to gain control of their energy costs and options beyond the scope of government or major energy producers. In this way we see how important the specific Finnish political environment has been for the renewable energy adoption of S-Group.

On the other hand, S-Group has faced increasing pressure to respond to the worldwide conversation on sustainability and the increasing role of companies in climate change mitigation. The very first signs of how these shifts have guided the Group's energy decisions is in the increasing role of CR in the Group's reporting over the years, and more precisely, the Group's response to the question of why they left the Fennovoima nuclear project in 2012. Although the Group pointed to financial problems within the project immediately upon giving up their share, they are also quoted as saying "the world has changed" and acknowledging that the company had had internal discussions regarding the increasingly negative attitudes surrounding nuclear power worldwide following the 2011 Fukushima nuclear disaster in Japan (Heikkinen, 2012; Boxberg & Nikula, 2012; Arola, 2011). This view is in stark contrast to the Group's statements early in the Fennovoima project, when they acknowledged the politically challenging position of nuclear power but stood by their decision to take part in the project. Whereas in the early days, the stable cost and supply of energy that Fennovoima provided outweighed the negative press for S-Group in this regard, this example reflects the first inklings of change in how the Group see energy sources as impacting on their reputation.

Of course, wind and solar energy are not impervious to controversy or public critique either, as S-Group has experienced in the debate over wind power subsidies. Overall though, this relationship between reputation management and operational activities has become even more pronounced in the context of renewable energy and particularly as the conversation around climate change has ramped up over the past decade. As a result, it is clear that being a sustainable company can have an influence on consumer attitudes and has as such played a part in motivating S-Group to invest in projects that support that goal.

*"Of course the visibility and if we can get visibility with it [solar energy investments] matters a lot."* – Property Manager, Cooperative Society Hämeenmaa

*“it’s [energy] not seen just as a cost driver but also kind of the brand and the reputation and the climate work that we do.” – CR Manager, SOK*

*“the other side of the coin is of course the responsibility issues and it’s important for the group because we are owned by Finnish households.” – Senior Director, S-Voima*

Clearly, these societal conversations have become a source of PR and brand management for the Group, as well as a way to legitimize their business operations. As such, they have been an active part of the communications strategy of the Group. Leveraging the sustainability conversation in this way to help the Group’s brand is an excellent example of how wider societal shifts have pushed the Group towards renewable energy. Crucially, however, the Group has chosen to go towards very concrete, involved projects that allow them to produce their own energy, further increasing the positive reputational influence these projects can have on their brand.

#### **4.1.4. Summary**

The above highlights the three key themes that have influenced renewable energy adoption at S-Group. As can be seen, S-Group has had a pioneering role in investing in wind energy in Finland, pushed along by financial incentives in the form of subsidies and increasing electricity prices, and aided by internal drivers such as key, visionary partners and an internal culture of looking forward and trying new things. S-Group’s renewable energy projects have helped them achieve their internal mission of doing their part for society, while at the same time engaging in external conversations around corporate action for climate change to enhance their image. A key enabler of the process has been S-Group’s partner St1, while the Finnish political environment has both hurried along and obstructed this transition process.

#### 4.2. K-Group

K-Group is a publicly listed company trading on the Nasdaq Helsinki stock exchange and was formed in 1940 in the merger of four regional wholesale retailers. Today K-Group is made up of Kesko, the central corporate governing body, and independent K-retailer entrepreneurs who operate the Kesko stores. Kesko owns most of its storefront properties, though there are some properties it rents. K-Group operates in three main sectors with over 2,000 stores: grocery retail, home electronics and hardware, and car retail. The Group also has an international presence, operating in Sweden, Norway, Russia, Poland and the Baltics (K-Group, 2016a). K-Group employs around 45,000 people across these operations. K-Group's sales in 2016 amounted to 5.2 billion EUR in the grocery retail market in Finland, representing 52% of the total sales of the company. In 2015, K-Group accounted for 32.7% of the market for grocery trade in Finland (Finnish Grocery Trade Association, 2016), and counted itself as the third largest retailer in Northern Europe (K-Group, 2017a).

K-Group has a long history of CR activity: in 2006, the company had an operating CR department and had established an advisory board consisting of senior-level managers the year before (K-Group, 2006). At this time, K-Group was already extensively monitoring and reporting on CR issues, having used the CR reporting standard of GRI reporting since its inception in the early 2000's (K-Group, 2006; Global Reporting Initiative, n.d.). Since then, the Group has been repeatedly recognized for their excellence in sustainability reporting and has been voted among the Global 100 Most Sustainable Corporations in the World, landing the highest ranking of any other retailer worldwide (K-Group, 2016a, 2018). Today, CR principles are established at the top of the corporate chain, and development of CR activity is the responsibility of the CR unit. This CR unit works with the help of advisory teams: an advisory board for corporate responsibility, an environmental steering group, a steering group for responsible purchasing, a steering group for local responsibility in operating countries, division-specific steering groups, an HR management board, and a management board for marketing, communications, responsibility and corporate relations (K-Group, 2016a). CR implementation is then the responsibility of separate business divisions, i.e.

grocery retail, home hardware and car trade (K-Group, 2016a). In their reporting, the Group calls 2016 the year of renewal for their CR program, having adopted the UN Sustainable Development Goals as a basis for their own CR strategy, and later in 2017, applying Science-Based CR goals (K-Group, 2016a, 2017b).

Throughout the years, energy efficiency and emissions from purchased energy have continued to be strong themes within the Group's CR agenda, though the degree and the implementation strategy has varied over the years. Currently, due to the variance in how K-stores are operated and owned, some stores buy their own energy, but most K-retailers are covered under a single purchasing agreement governed and negotiated by Kesko. K-Group took part in the industry-wide energy efficiency agreements between 2008-2016, committing to 65 GWh reductions by 2016, and has renewed this commitment by participating in the new industry agreement stretching to 2025, which mandates a further 7.5% reduction in energy use for the Group by 2025 compared to 2015 levels (K-Group, 2016b). In general, energy efficiency implementation is well-documented throughout the Group's reporting for the past ten years, and throughout this time the Group has piloted and worked towards clean and efficient energy solutions on many levels; including opening one of its stores in a passive building in 2011, using geothermal energy in new building constructions, and partnering with Finnish company Gasum to create biogas from food waste (K-Group, 2011, 2015).

Though these projects showcase innovative energy efficiency and micro-scale self-production, purchased energy remains the major solution for K-Group's energy needs, and emissions from this purchased energy are highlighted as a major concern for the Group throughout the years of CR reporting. As early as 2007, the Group committed to buying only clean electricity from their major energy supplier Fortum, resulting in 95% of the Group's electricity coming from nuclear from the following year onwards. Nuclear has long been a preferred choice for the Group to achieve emissions reductions, and in 2007 K-Group invested in the Fennovoima nuclear project in Finland despite the associated controversy (Sinervä, 2007; Pajari & Kervinen, 2010). When additional financing was required in 2014,

the Group decided to pull out of the project, though they legally only severed ties with Fennovoima in 2017 (Kuokkanen, 2017).

In terms of renewable energy sources, K-Group, as early as 1997, installed solar panels on one of its K-stores, which are still in use today (Tolonen, 2016). However, this appeared to be an isolated pilot project, until K-Group in 2011 mentioned monitoring the growth and progression of alternative energy solutions, including renewables (K-Group, 2011). In 2013 they began publicly acknowledging solar as a possible option for the Group's electricity production (K-Group, 2013). This period of monitoring came to a head in 2016, when K-Group committed to building 16 new solar power plants on store rooftops by the summer of 2017, making the Group Finland's largest producer and consumer of solar energy. The decision to move forward with these installations, as well as decisions on the installation locations, was made at the top of the corporate structure, in a team that manages engineering and maintenance for the majority of the K-stores. These initial 16 power plants became operational by the end of 2017, translating to 4.54 MWp of total capacity, with plans to nearly double this in the near future (J. Suuronen, personal communication, October 13, 2017).

The current solar systems would account for under 1% of the total electricity consumption of K-Group, which amounted to 540 GWh in 2016, meaning most of the Group's electricity is still covered by external producers. As K-Group only reports on consumption figures for electricity the corporate arm purchases, this excludes electricity bought by its retailer-entrepreneurs. As such, these estimates may be even lower for the whole of K-Group's real electricity consumption (K-Group, 2016a). For the electricity bought by the central corporate body and supplied through external energy providers, the Group has aggressively moved towards renewable solutions. As of 2017 K-Group operations use 100% renewable electricity, supplied by external partners and mainly using biomass fuel (K-Group, 2016a). This electricity is verified as 100% renewable through the use of Nordic green certificates, which are nationally administered certificates that authenticate electricity sources as using renewable energy (Fingrid Oyj, n.d.).

As can be seen, K-Group has a long history of CR, although its large-scale use of solar energy is more recent. The Group has undertaken other significant energy projects, such as the switch to 100% renewable electricity, and this should be considered alongside solar as part of the energy and CR strategy of the Group, despite the green certificates being based on biomass, a carbon-emitting source of energy. With this in mind, we now look to three key themes that have played a role in how and why K-Group has invested in energy in this way: a strong focus on energy in branding; dedication to their core business; as well as financial incentives.

#### **4.2.1. Branding focus**

Perhaps the most prominent contributing factor to K-Group's adoption of renewable energy is the Group's relationship to their stakeholders and external environment. K-Group's approach is heavily focused on their brand image as a responsible company for various stakeholders, brought out in their strong attention to CR and energy issues in external communications and the maintenance of positive relationships with key stakeholders.

K-Group's branding has, for most of the past ten years, centered around the key company value of being responsible and taking sustainability seriously across all operations, participating in their own way towards wider societal sustainability goals. The idea of "doing their part" frequently comes up in conversation, particularly in relation to CR, and this theme permeates the company's approach to their energy solutions as well.

*"Responsible business is a concrete part of Kesko's values, operations strategy, leadership and everyday work. We take it seriously. It is important for us to maintain our leading position in the future as well."* – Kesko CEO in K-Group CR Report, 2006



*“We firmly believe that welfare in the society around us also means welfare for the K-Group. We highly value this recognition and will continue our determined work towards a better society and better environment.”* – Kesko CEO in K-Group, 2018

The strong awareness of responsibility can be seen in concrete actions throughout the years, beginning with the Group’s early adoption of GRI reporting. In 2008 K-Group expressed their commitment to the UN Global Compact agenda, and highlighted CR as a major part of their strategy for the short term, going on to highlight yearly awards in ethical and responsible business and CR reporting throughout the following years in their external communications. However, while the Group acknowledges sustainability as a key part of their identity in these year, the focus was on background activities such as monitoring and piloting CR initiatives. In relation to more immediate matters such as financial performance and expanding or improving operations, CR and energy were not a key focus for the company. It was not until 2016 that the role of sustainability became truly pronounced in how the company speaks of itself, permeating every aspect of the company. Despite the wavering relative position of sustainability in the Group, overall the Group is clearly proud of its brand and sustainability work, and this responsibility is a strong part of the Group’s identity within the industry.

*“Customers can be assured that just by entering a K-Store, they are making a responsible choice.”* – Kesko CEO in K-Group Annual Report, 2011

*“[on switching to buying 100% renewable electricity] it’s what a responsible company should do.”* – Environmental Specialist, Kesko

*“[on investing in solar power] it’s this kind of world saving stuff.”* – Senior Engineering Manager, Kesko

One way for the Group to bring out this commitment to sustainability has been through their work towards energy efficiency and reducing energy emissions. Early indications of this can

be seen in the way the Group speaks about their move to buy only nuclear energy in 2007, emphasizing that this represents emission-free electricity.

*“Kesko is part of the Fennovoima project, whose purpose is to build a new nuclear power plant in Finland. -- Kesko wants to support a wholesale solution, that guides production to a carbon neutral sector and through this reduces Finland’s dependence on imported energy and at the same time improves the functioning of the electricity market.” – K-Group CR Report, 2007*

Throughout the years, energy efficiency has been a key component of achieving sustainability in K-Group’s use of energy in its operations. More recently, particularly in conjunction with the resurgence of CR as a top priority in 2016, the Group’s solar energy projects and commitment to renewable energy have enjoyed high visibility throughout their 2016-2017 external communications, supplanting energy efficiency as the main signalling tool to highlight their commitments to sustainability in general. In addition, recently the Group has begun adding electric car charging stations to storefront locations as a high-visibility way to showcase energy commitments.

The prominence of solar, and previously, other pilot renewable energy projects, in the Group’s communications compared to the size of their influence on the Group’s electricity production and consumption demonstrates the significant branding value these initiatives bring to the Group. Although solar covers less than 1% of the electricity that K-Group uses, it is heavily featured alongside their decision to move to 100% renewable purchased electricity. Since the Group’s electricity is already 100% renewable under the use of green certificates, their use of self-produced solar energy doesn’t reduce their emissions any further – yet the Group is aggressively expanding its use of solar, and the communications value that this brings is highlighted in interviews with the company. K-Group’s environmental specialist notes that renewable energy will be used “more and more” in the future by the Group despite its neutral influence on carbon emissions from electricity consumption.

Additionally, the interviews indicate that friendly competition related to renewable energy solutions exists between the Group and other companies, such as Finnish food brand Atria, as to who can claim to be using the most solar energy or be the largest producer of solar energy. The Group clearly takes pride in its current status as Finland's largest solar energy producer, and this is of high value to the Group's branding and communications. Similarly, its use of 100% renewable electricity is prominent in communications, showcasing the Group's responsible approach to energy and its operations overall.

*“it's also about looking like this kind of good citizen – in marketing we used it [the new solar panels] quite a lot.”* – Retailer-entrepreneur, K-Citymarket

*“[on switching to renewable electricity] it's an easy communicative message to make, to prove that you are doing your part.”* – Environmental Specialist, Kesko

This intent focus on high-visibility sustainability work aims at maintaining positive relationships with various K-Group stakeholder groups, each in different ways. This sustainability branding is particularly important for K-Group's customer facing relationships and has been used by the Group to attract members from the growing group of eco-conscious consumers in strategic geographic areas. This branding has become especially important in the past few years with the rise of the sustainability conversation on a more general level and due to global commitments, such as the Paris Climate Accords. The Group acknowledges this has forced many companies to face their role in fighting climate change. K-Group's existing, and now strengthening adherence to this style of branding could be seen as one type of growth strategy, as a strategic pull for customers perhaps willing to pay more for eco-friendly products particularly when purchased through responsible companies like K-Group. The Group's energy projects then play a key role in supporting other sustainability goals, such as being an effortless green choice for consumers, by increasing visibility and raising the sustainability image of K-Group.

*“I saw it [the new solar panels] as a positive because Turku is a university city and there are a lot of students, young people, lots of eco-people, lots of people who think like for green values, so yes it fit us very well.”* – Retailer-entrepreneur, K-Citymarket

*“Corporate responsibility manifests itself in our everyday activities and our stakeholders require this of us.”* – Kesko CEO in K-Group Annual Report, 2016

Other stakeholders that K-Group sees this type of CR work being important for are investors and employees. The Group recognizes responsibility as a key theme in investing, and the Group’s status as a publicly listed company means that responsibility needs to be a high priority to attract not only customers, but also investors. Investor expectations for sustainability commitments in publicly listed companies are mentioned in interviews as a key reason for the emphasis on sustainability reporting. The environmental specialist interviewed at K-Group identifies this commitment as a way to gain a “license to operate”, particularly with investors. Indeed, responsibility is highlighted in K-Group’s 2016 annual report as one of the six reasons to invest in K-Group (K-Group, 2016a), and investor presentations highlight sustainability as a key selling value for K-Group. In illustrating the Group’s sustainability commitments, the use of 100% renewable electricity is highlighted as a case example of this work towards responsibility (Erlund & Aejmelaesus, 2017).

*“A strong market position in Finland and abroad, combined with corporate responsibility, make Kesko an attractive and stable investment target.”* – Kesko EVP, CFO in K-Group Annual Report, 2016

Similarly, the expectations of prospective employees and the growing role of company responsibility as a deciding factor in who to work for, is addressed through the sustainability work that K-Group does. The Group recognizes the key role sustainability can play in recruiting particularly younger talent. Renewable energy projects, especially something as prominent as being the largest solar energy producer in Finland, have been an excellent way

for K-Group to highlight their commitment to sustainability in a concrete and visible way for this stakeholder group. Indeed, K-Group has recognized that many candidates apply to the company due to its reputation as a responsible company.

#### **4.2.2. Core business thinking**

K-Group's path to adopting renewable energy has reflected a certain hands-off approach that is indicative of their focus on core business operations within the retail sector. Furthermore, the company's approach to transitioning to 100% renewable electricity has reflected the Group's top-down planning and execution processes. This top-down approach has also served as a controlling mechanism in the direction and how far the Group has gone in their renewable energy adoption.

K-Group's choice to move to solar electricity production has largely been motivated and backed by the rationale that stores use a lot of energy in sunny weather, and therefore are in fact one of the best suited consumer groups to adopt rooftop solar energy (K-Group, 2016d). This rationale highlights K-Group's tendency to keep their focus on their core business, that is the storefronts and selling food, home hardware or cars. Any work that moves beyond this domain is seen as something that can be outsourced or is a more peripheral concern. This focus on core business has influenced not only the Group's specific choice of solar as their go-to renewable energy implementation route, but also how solar projects have been implemented. K-Group's senior engineering manager and retail-entrepreneur emphasize that the solar systems they have used have been mainly implemented using turn-key solutions. The first round of installations performed in the first half of 2017 have been used as a testing ground for different providers and partners, to assess how well different systems work within K-Group's parameters and needs. This hands-off approach, focused on outside partners providing most of the expertise and work, rules out the option for K-Group to develop in-depth internal skills for solar energy solutions, reflecting the Group's unwillingness to venture far from its core business. Solar installations are treated as a part of the same category

as other storefront investments such as lighting, heating or cooling solutions, and are thus an easy choice for the Group to achieve energy self-sufficiency and branding value.

*“there was a very enthusiastic group who sort of sold the thing [the solar panel system] to us, that this is how the whole project will go and how it’ll be done.”* –

Retailer-entrepreneur, K-Citymarket

*“In view of future investments, we also test the reliability and quality of different suppliers’ units.”* – Construction and Maintenance Director, Kesko in K-Group, 2016c

The strong focus on core business is further reflected in their choice of other pilot energy projects, such as producing biogas from food waste or provide car-charging stations at storefront locations, as well as the choice to move to 100% renewable electricity in large part through green certificate systems rather than self-produced energy.

While the energy approach and energy projects of the company are kept very much in line with, and subservient to, core operations, energy most certainly plays an important role in the Group’s operations and storefronts. The external commitments and partnerships taken on by the Group demonstrate the weight of these issues. For example, they participate in the association for large electricity consumers in Finland, ElFi, and in sector-wide energy efficiency agreements. However, when it comes to their choice of renewable energy implementation, K-Group clearly prefers for their chosen energy solution to be tied to their core business activities and easily implemented within the scope of their current operations.

*“We are currently examining how to use solar power as the energy source of new properties. Our aim is to significantly increase the use of solar power.”* –

Construction and Maintenance Director, Kesko in K-Group, 2016c

*“[on having followed the wind energy business case] it seems like another kind of business than what we do in the storefronts.”* – Senior Engineering Manager, Kesko

The ease with which these solar systems can be installed and maintained plays into the corporate management structure that is dominant in the K-Group company structure. Strategic and operational decisions are typically carried out at the top, and these decisions then trickle down to the stores. Though the retailer-entrepreneurs have a say in how they run their stores, larger renewable energy strategy is still determined at the corporate level, after which the operationalization of said strategy is carried out and planned in cooperation with the retailers. Therefore, while retailer concerns are more focused on specific operational issues related to their storefronts, corporate is able to plan the energy strategy of the Group on the bigger picture level. This translates to clear internal advantages for the Group, with interviewees specifically mentioning how speedy the decisions to move to renewable electricity or adopt solar systems were, and how quickly these projects were implemented. In combination, keeping energy strategies tied to core business; managed in a centralized way; and implemented with a hands-off approach, has allowed K-Group to move relatively quickly to become the largest Finnish producer of solar power in just under one year. Concentrating these decisions into one area within the company has created room for quick decisions and action, as well as a complete overview of the company's solar strategy and possible external partners.

#### **4.2.3. Financial incentives**

While K-Group's electricity is already 100% renewable under the use of green certificates, meaning their use of self-produced solar energy or biogas does not reduce their emissions any further, emissions reductions and brand value are just part of the reason why the Group has moved towards self-produced renewable energy. K-Group's continued efforts to increase self-sufficiency of their electricity sourcing could also be seen as a reaction to the fluctuation and uncertainty of electricity prices. Additionally, subsidy schemes for solar energy investments may have played their part in expediting and shaping these decisions.

As with S-Group, electricity is a significant operational cost for K-Group, since the Group consumes nearly 1% of Finland's electricity (K-Group, 2016a). The dual benefits of lowering operational costs and reducing emissions from electricity are clearly a key motivation for the Group's energy efficiency programs. Even now, when reducing energy consumption will no longer have an impact on their emissions reporting, K-Group still emphasizes the importance of energy efficiency and is a part of the sector-wide energy efficiency programs reaching to 2025. The Group clearly acknowledges the benefits that reducing electricity costs can have on their bottom line. One part of this equation is the rising price of electricity in Finland, and the effect it has had on increasing the relevance of the Group's electricity consumption in company strategy as electricity costs have ballooned. This is one of the reasons, in addition to possibly reducing Finland's dependency on imported energy, for the Group's involvement in the Fennovoima nuclear project (Sinervä, 2007).

*“electricity prices hadn't been a terribly important thing in Finland since in Finland the electricity price was cheaper than in Europe. Well, when the electricity market price has risen in Finland and is nearing the European levels, then electricity has actually become quite important and what electricity or how much electricity is consumed in the store.”* – Retailer-entrepreneur, K-Citymarket

This rising price of electricity has been one reason for the Group to begin seeking out alternate ways to satisfy their energy needs. K-Group's participation in EIfi, as one of the founding members of the association, demonstrates the concern that the Group has for the rising cost of electricity in Finland (Suomen Sähkökäyttäjät Ry, n.d). As this price has gone up, and as solar power technology has matured and subsequently lowered in price, making the payback periods on solar systems shorter, self-produced electricity has become a viable option for K-Group in helping lower their energy costs.



*“they [solar panels] have evolved so much, so now when you invest they work and there is a 20-year, 25-year warranty, so they start to be pretty sensible investments in that sense as well.” – Retailer-entrepreneur, K-Citymarket*

Self-produced energy has the potential to create a nearly free source of energy for the Group as time goes on and their investment costs are returned. As the CR reports for the past few years indicate, K-Group has been monitoring the advancement of solar technology for quite some time. Now, the Group’s financial requirements are being fulfilled, and it has become smart, by their internal definitions, to adopt solar energy solutions. This allows them to eventually break free of the market price of electricity while still meeting their energy needs.

A key reason why these investments have become more viable for the Group have also been the investment subsidies provided in Finland for renewable energy investments. The Finnish Center for Economic Development, Transport and the Environment (ELY-Center) provides investment support for companies embarking on projects that advance renewable energy or energy efficiency in Finland (Center for Economic Development, Transport and the Environment, 2016; Motiva OY, 2018). For solar electricity projects, this support is 25% of the investment cost (Business Finland, 2018). This support system, established in 2012 and revised yearly (Ministry of Justice, 2012), has made solar electricity investment decisions easier for K-Group and hastened along their adoption process.

Crucially, political decisions have also influenced how far the Group takes its investments, or the size of solar systems they adopt. Power plants producing less than 800 MWh/year are considered small-scale producers, and do not have to pay taxes on the electricity they produce. However, as soon as this threshold is met, anyone operating electricity plants producing more than 800 MWh/year must declare as an electricity producer and is subject to electricity tax, regardless of whether the electricity is consumed by the producer or fed into the grid (Finnish Tax Administration, 2016). K-Group’s senior engineering manager notes that, while this remains a theoretical maximum for the Group at the moment, there are certain

solar systems it operates that could easily push past the 800 MWh threshold in a peak year. Since a large part of the investment case for solar is based on financial criteria, including avoiding electricity and electricity transfer taxes, should it look like the threshold would be met within one calendar year at one particular plant, the solar systems would have to be shut off and not used, in order to avoid the taxes. This clearly limits the size of the solar power systems that K-Group considers for installation and runs quite contrary to the purpose of the solar electricity investment subsidies, which are intended to increase the use of renewable energy in Finland (Business Finland, 2018). K-Group's senior engineering manager notes that once electricity and electricity transfer taxes are introduced into investment calculations, the decision to adopt solar "must be made on other [non-financial] grounds". Thus, these two competing political forces - subsidized energy investments and energy production limits - have both aided and hindered the renewable energy adoption process for K-Group, and significantly shaped the financial incentives behind these decisions.

#### **4.2.4. Summary**

The above summarizes the three key areas that have contributed to K-Group adopting solar electricity systems within its stores. In general, the solar energy systems and green certificates have served as a highly visible way to support the branding of K-Group as a sustainable and responsible corporation doing their part for climate change and emissions reductions. This branding is targeted not only to consumers but investors and employees as well. In addition, both solar energy and green certificates have provided an easy, hands-off way for the Group to adopt renewable energy without investing heavily into side businesses unrelated to their core strategic activities. The importance of reliable and knowledgeable solar energy partners has been crucial in this regard. Finally, K-Group's adoption of solar energy can be seen as a statement against electricity price fluctuations and high electricity taxation policies. The decision to move to solar has been expedited by the introduction of investment subsidy systems in Finland, as well as overall improvements in solar energy technology, which have brought down the price of solar systems.

### 4.3. Case study summary

As we have seen, the two companies share many of the same motivations for having invested in renewable energy, though their adoption paths have taken different directions. The following table (Table 1) summarizes the findings across six general themes.

*Table 1: Case study summary*

	<b>S-GROUP</b>	<b>K-GROUP</b>
<b>The role of energy in operations</b>	<p>Energy is primarily seen as an operational cost and a source of operations emissions.</p> <p>Energy efficiency and energy sourcing are important from a financial and corporate responsibility point of view.</p>	<p>Energy is primarily seen as an operational cost and a source of operations emissions.</p> <p>Energy efficiency and energy sourcing are important from a financial and corporate responsibility point of view.</p>
<b>Sustainability as a trend</b>	<p>Societal shift to seeing sustainability as an integral part of business operations increases demand on the Group to showcase their commitments to sustainability, including reducing energy emissions.</p> <p>The Group emphasizes their inclusiveness in their communities in branding, thus sustainability in energy is another opportunity for the Group to display their commitment to their owners and community.</p>	<p>Societal shift to seeing sustainability as an integral part of business operations increases demand on the Group to showcase their commitments to sustainability, including reducing energy emissions.</p> <p>Being a responsible company is a key part of the corporate identity and branding. Sustainability is seen as way to gain a license to operate from all stakeholders, including customers, investors and employees, and is thus emphasized in communications.</p>
<b>Electricity prices</b>	<p>Increasing electricity pricing, and how it reflects in operations costs and therefore the ability to continue providing low consumer prices, has driven the Group to find alternate, self-controlled energy sources, first in the Fennovoima project, later in wind energy.</p> <p>Participation in EIfi to lobby for the consumer point of view in energy markets and pricing.</p>	<p>Increasing electricity pricing, and how it reflects in operations costs, drives the Group to find alternate, self-controlled energy sources, first in the Fennovoima project, later in solar energy.</p> <p>Participation in EIfi to lobby for the consumer point of view in energy markets and pricing.</p>

<b>Political environment</b>	<p>Poor functioning of the energy market for large consumers seen as a threat, increasing the attractiveness of self-controlled energy sources.</p> <p>Feed-in tariff system for wind energy makes investments in wind power more attractive.</p>	<p>Poor functioning of the energy market for large consumers seen as a threat, increasing the attractiveness of self-controlled energy sources.</p> <p>Investment subsidies for renewable energy projects, including solar, make solar projects financially viable. However, solar power plant capacity is limited due to ceiling on tax-free production.</p>
<b>External partners</b>	<p>Long history and past project with St1 translates to a new venture in wind energy, initiated by St1 leader. Other pilot projects are less involved partnerships, and focus on energy efficiency and solar energy.</p>	<p>The Group favors turn-key solutions for solar projects, and is currently testing out multiple partners for comparison. Other renewable energy needs are covered through the green certificate system.</p>
<b>Internal culture &amp; organization</b>	<p>TuuliWatti becomes an off-shoot of the Group, connected to the Group through a dedicated department for energy. The internal culture of the Group emphasizes innovation and trying new things, though diffusion of this mindset across the Group remains a challenge.</p>	<p>Solar projects are managed by the existing operations team, showcasing how the fine-tuning of sustainability in existing business operations is emphasized rather than finding new ways of doing business. Top-down management approach makes decision making quick and flexible.</p>

Overall, we can see that the large role of energy in operations, and therefore operational costs, has meant that financial incentives have played a crucial role in renewable energy adoption. The main driver for both companies have been the poor functioning of the traditional electricity markets, and this has driven the companies towards sources of electricity that they can better control. The types and size of these investment has largely been driven by political decisions, but existing partnerships and internal corporate cultures have pushed the companies towards different renewable energy solutions. Throughout, the increasing importance of sustainability in business communications and operations has meant that renewable energy has also created a means for further branding work and showcasing the companies' commitments to their stakeholders.

## 5. CASE STUDY COMPARISON

Having gained an understanding of the motivations and processes behind the two case companies' transitions to renewable energy, we now return to the initial research questions:

Q1: How have S-Group and K-Group implemented their renewable energy strategies and what role do these strategies play in the companies' corporate responsibility agendas?

Q2: What were the key motivations for investing in renewable energy for S-Group and K-Group?

Here, the two cases will be compared using the literature to further analyse the findings, as well as reflecting on what the cases contribute to the current literature.

### 5.1. How companies invest in renewable energy

As we have seen, these two companies have taken two distinct paths in achieving their renewable energy goals. On the one hand, S-Group has mainly invested in off-site wind power plants, with some on-site solar, while K-Group has bought green certificates for renewable electricity and invested in on-site solar installations. The role of energy in relation to CR in the two companies has been found to be quite similar, but how the companies have chosen to act in addressing this role of energy has been markedly different. This is clear in how far the Groups have gone outside of their core business to address operational energy issues, and how internal structures have shifted with the move towards renewables. In addition, both companies have relied heavily on outside partners to realize their strategies, but in slightly different ways. We now explore these points to understand how the case companies have invested in renewable energy.

#### 5.1.1. Energy and corporate responsibility

Within both companies, the role of energy is keenly focused on electricity and its role in heating and cooling, and the importance of these elements in the operations of the company. This is highlighted not only in how the companies speak about energy, emphasizing the

significant operational cost it represents, but also in the approaches the companies have taken to tackling energy issues. Alongside the decision to adopt renewable energy sources, both companies have emphasized energy efficiency measures in numerous pilot projects and group-wide energy initiatives. The cost and availability of energy, and these factors' intrinsic links to the source of energy, as well as the efficient use of energy is treated as an operational and economic concern for both companies. Within the CR agendas of these companies, energy is reduced to just another, yet significant, operational element, focusing on its contribution to total emissions of the companies, rather than on energy as a key strategic concern. In this way, both companies' approach to energy can be interpreted through Halme & Laurila's (2008) CR integration strategy or Mirvis & Googins' (2006) integrated stage, where a company's focus is on systematically making core business activities more sustainable and with reporting playing a large role. Interestingly, although energy in S-Group is mainly a tool to achieve corporate goals sustainably, the Group's approach tends to lean more heavily towards the strategic end of the spectrum, blending CR integration with elements of CR innovation in Halme & Laurila's (2008) framework. With their visionary role in the field, and by embracing CR in operations through a new, non-core revenue model in new markets while addressing current operational concerns, the Group's focus is related more clearly to Gazzola & Colombo's (2014) integrated stage. K-Group's approach, on the other hand, is characterized more by the dominant stage of CR, with its extensive monitoring, reporting and formal review systems.

This juxtaposition between the two highlights the difference not only in how the companies have chosen to act on energy, but also the disagreement between theoretical frameworks on what is considered a more advanced form of CR. Indeed, S-Group's approach shows that even individual CR activities may not fit cleanly into the stages presented in CR models, and the lines between what is considered new market activities and what is merely improving existing operations are blurred. That said, while both companies' energy strategy validates the idea that CR integration and, to a certain extent, CR innovation can be used as an effective competitive advantage and can bring financial benefits to the practicing company, neither

case company's approach provides evidence that energy issues might rise to the highest CR stage, of Halme & Laurila's (2008) CR innovation or Laszlo & Zhaxembayeva's (2011) embedded sustainability. The distance between the companies' core business activities and the innovation required to address energy issues in a new and novel market approach is too large and thus unenticing as an area for the companies to get deeply involved in. While S-Group has moved towards bridging this gap, their energy activities remain addressed to core operational issues rather than innovations in the energy space.

### **5.1.2. Internal structures and operations**

The distance between core business activities and new energy markets, and how this affects the companies' energy approach, is best highlighted through the internal organizational structures of S-Group and K-Group around energy issues. While the role of energy in the companies' CR and overall agendas is similar, the key differentiating factor between these two companies is the relation of energy to core business, and this affects how the company must structure to operationalize its approach. Notably, K-Group's strategy of purchasing renewable energy credits on the green certificate market and installing solar panels on existing or planned storefronts has been executable by the current team. While solar panels can in theory be considered micro-power plants in themselves, the panel installations remain closely tied to current operations, and could be likened to e.g. the installation of new refrigeration units, lighting solutions, or other maintenance-related investments.

On the other hand, S-Group's approach to securing renewable energy has been to create an offshoot of their existing business, building power plants far removed geographically and operationally from current store operations, and requiring an entirely new department, S-Voima, for handling the Group's energy requirements and investments. S-Group's approach has expanded the business that they compete in, requiring further formalization of processes, while K-Group's approach has been to choose more sustainable alternatives. Renewable certificates and solar panel roof installations represent patchier, more ad-hoc solutions than S-Group's strategy of creating a new, dedicated corporate entity and power plants for

sourcing the energy needs of the entire Group. The innovative and experimental culture of S-Group may have played its part in incubating and enabling this kind of approach, validating the idea that culture can play a large part in CR, as outlined by Galbreath (2010).

While, for instance Vidal, Kozak & Hansen (2015), suggest that corporate structures help set up companies for success in CR through formal processes and organizational structures that can properly utilize company-wide information, the case of S-Group suggests that corporate structures can, and should, evolve with CR agendas. These internal shifts can move companies closer to a new CR stage and can be understood to indicate some of the company-wide learning that is suggested by the likes of Haugh & Talwar (2010) or Ketola (2008) as crucial to embedding sustainability into a company's operations. On the other hand, the similarities with which energy issues are organized in both companies showcases how the type of CR issue being addressed, in this case energy, can influence the gap between operational and strategic levels in CR, as outlined by Kujala, Rehbein, Toikka, & Enroth (2013). Energy as a simple operational issue has led to both companies using a top-down management approach, spilling from the strategic to the operational level with little change in how energy is treated across the board. In both companies, the strategic and operational levels approach energy as an operational concern, though the strategic level has been more vital in determining the company-wide approach. These findings may suggest that the more closely an issue is related to operations, the more unified the CR approach to that issue will be on a company-wide scale.

### **5.1.3. The role of partnerships**

While both companies' approaches and internal organization to energy have been best suited to their respective strategic goals, neither company has gone through this process alone. External partners have played key roles in allowing the case companies to move into industries so far removed from their own industry on this particular CR issue. This value of partnerships has been a missing aspect in CR literature.



K-Group's approach has been to let external players do the heavy lifting. With the help of several solar panel suppliers, it has been able to enjoy the benefits of turn-key solutions that have required no significant additional learning investments from its existing staff. Additionally, the green certificate market has allowed K-Group to move very rapidly to using 100% renewable electricity, without having to make major infrastructural investments or add resources to its team. Conversely, a key part of the process for S-Group has been their partnership with one single, but influential player, St1. S-Group legally and financially binding itself to a known and trusted ally differs drastically from K-Group's arms-length approach to their solar partners. Here, S-Group's history with St1 in their fuel trade partnership has made a key difference. TuuliWatti has a ten-year history behind it, with the cooperation of St1 and S-Group going even further back in the fuel trade. Mutual trust has been able to grow throughout this long history, and thus a more involved partnership in wind has been a more natural step for S-Group than it might be for K-Group when it comes to solar. K-Group has no similar relationship or history with its suppliers, so the Group is now testing suppliers to see who might be most suitable to their needs for the solar market. It is possible that in due time, they may find a similar, single larger partner that will enable an even larger leap into the solar market.

Additionally, S-Group's investments into wind power have ramped up over the past ten years, since the inception of TuuliWatti, to get them to the point of being Finland's largest wind power producer. K-Group, on the other hand, has only significantly begun their solar strategy in 2016. Therefore, the relatively deep and intense involvement of S-Group in its energy strategy, both in internal organization choices and in how its partnerships have developed as compared to K-Group, may be attributed to the time they have had to develop the building blocks of this strategy. Overall, K-Group's renewable investment strategy has been much more hands-off than that of S-Group. This may merely be a factor of time and experience with partners, and as K-Group gains more experience with their suppliers and with the solar market in general, their involvement in the energy market may expand and deepen.

## 5.2. Why companies invest in renewable energy

As we have seen, the root of both companies' renewable energy adoption choices has originated in operational concerns related to energy in their current core business, mainly energy independence and rising operational costs. This financial motive forms one part of the socio-economic and socio-political context that has motivated the companies' move towards renewables. In addition to these macro-elements, choosing renewable energy has been a reaction to the overall rise of the global sustainability trend in the eyes of company stakeholders, and its influence on the companies' brand image. As we will explore in the next section, while external contexts have pushed both companies towards renewables, the motivations behind the firm-specific approaches has been more closely tied to existing corporate structure and its influence on the strategic focus in CR agendas more broadly. We now discuss each of these in turn to understand why companies invest in renewable energy.

### 5.2.1. Socio-political and socio-economic landscape

A clear initial motive for both S-Group and K-Group to consider alternate energy sources was the consistently increasing electricity price in Finland within the past ten years. This trend alone was worrying for the companies' operational costs but has combined with the general feeling that politically, energy producers in Finland are favored over large light industry consumers. These factors created the initial conditions for the companies to begin exploring more independent sources of energy. Both S-Group and K-Group's initial involvement in the Fennovoima nuclear project show the first signs of seeking this independence, and the subsequent investments in renewable energy sources have furthered the trend. Both companies continue to express their concern for electricity pricing and the lack of awareness of issues facing larger consumers, as well as their disappointment towards the political environment surrounding energy issues in Finland, most notably through their involvement in the lobby group ElFi. On the other hand, politics has positively enabled investments in renewables, through the Finnish government's subsidy schemes for renewable energy. Whether in the form of the wind power feed-in tariffs or investment aid for solar

installations, both have hastened along the companies' decisions to invest in specific forms of renewable energy.

The financial and political realities that these conditions represent outline the national context described by literary institutional frameworks explaining CR motivations, and in this case, approach to energy issues. While renewable energy adoption has been used in both companies' external communications as a source of PR, overall the case companies tend more towards a pragmatic, operational approach to energy rather than energy as a merely explicit, attention-seeking CR issue. As such, the companies' motivations indicate a more traditionally implicit approach as outlined by Matten & Moon (2008) and focus on a narrow set of issues within energy, i.e. a contractive CR approach as outlined by Blindheim (2015). The actions of the companies also follow the more administrative role towards energy issues hypothesized by Blindheim (2015) for implicit, contractive contexts, and provide further proof of the collective pressures leading to these companies investing in renewable energy.

The approach of both companies, to address emissions through their own renewable energy planning, further demonstrate the kind of Nordic understanding of business' role in society outlined by the likes of Strand, Freeman & Hockerts (2015) and Maon, Swaen & Lindgreen (2015). For example, the motivations of the companies are characterized by a focus on ensuring operations reflect the company "walking the walk" (Strand, Freeman & Hockerts, 2015, pp 11), as well as a partnership approach to their role in society that looks to address energy issues in a comprehensive way rather than as mere cost-cutting tool (Maon, Swaen & Lindgreen, 2015). Additionally, S-Group and K-Group's manners of tackling energy issues clearly support the findings of Panapanaan, Linnanen, Karvonen, & Phan (2003), emphasizing the importance of a sense of duty, or doing one's part, within Finnish companies. Both case companies have been motivated to invest in renewable energy from this underlying understanding that businesses must be a part of the collective effort towards climate change mitigation. The path that the case companies have felt appropriate to take in achieving this target has also reflected the national context they operate in: as Alexander,

Purdy & Neil (2010) and Maon, Swaen & Lindgreen (2015) note, these strategic, operations-focused energy approaches speak of a more implicit approach to CR. Furthermore, as pointed out by Beschorner & Hajduk (2017), the political position of the companies in the energy sphere as large consumers, and the significant role of energy and electricity costs in the operations of grocery retailers, further characterizes the industry context that influences S-Group and K-Group's approach to energy. The relative concern for energy costs and the extent to which these are visible to the end user are quite specific to the grocery retail industry, where cooling requirements are considerable yet not a direct concern for customers. The two overlapping contexts, the industrial grocery sector and national Finnish energy landscape, in combination have motivated the case companies to tackle energy issues according to the values and requirements set out by these contexts. This has led them to take a very similar approach, that is, self-producing renewable energy to showcase societal commitment and address key operational issues, rather than taking part in e.g. charitable giving to green charities.

### **5.2.2. Sustainability in stakeholder relations**

The other side of the coin in determining why S-Group and K-Group have sought renewable energy solutions has been the rising global concern for climate change and carbon emissions, and related to this, the global call for sustainable business practices. These issues have become more and more prevalent for several S-Group and K-Group stakeholders, such as customers, investors, employees, and the larger communities in which the two companies operate. These changing stakeholder concerns on the global, national and industry scale together create the shift in the "living conditions" outlined by van Marrewijk & Werre (2003, pp 108) that then has pushed both case companies to begin changing attitudes towards energy and energy's role in CR.

The weight given to these stakeholder concerns speaks not only of the importance of stakeholder engagement in Nordic business outlined by Strand, Freeman & Hockerts (2015), but also of the importance of branding and PR value for these companies in addressing these

current, time-sensitive issues through their operations. The subtle shift towards using ‘green’ energy in branding by both companies, as well as the shift to more in-depth sustainability reporting in S-Group, has visibly increased in recent years, reflecting the move towards more explicit CR, as hypothesized by Matten & Moon (2008), Panapanaan, Linnanen, Karvonen, & Phan (2003) and others. Globalization may have had its part to play in ensuring these sustainability issues have become more pertinent to the company stakeholders, and as a result, motivating the case companies to make their efforts towards sustainable energy more explicit.

Moura-Leite, Padgett & Galan (2012) observe that each industry context has specific stakeholder concerns, which then drive CR within that industry towards specific approaches. The similar methods of S-Group and K-Group for solving emissions related to energy consumption could be a factor of these industry-specific dynamics, in the same way that the national energy context has pushed the Groups towards new energy solutions. Differences between the co-op model of S-Group and the publicly listed K-Group may, on the other hand, contribute to the key differences between their approaches, as different stakeholders are differently weighted within each company. This validates the theory of Orlitzky, Louche, Gond & Chapple (2015) that inter-company differences create the real variance in CR and can be the greatest source of competitive differentiation strategies. While the importance of sustainability in branding has been a key focus of K-Group for longer than S-Group, having already been developed in the early 2000’s compared to S-Group’s initial CR programs in 2008-2010, this has not translated into action in renewable energy for K-Group until more recently. Conversely, renewable energy seems to be one of the first areas tackled in S-Group’s sustainability awakening. In prioritizing investor interest, K-Group’s move to renewables was delayed in comparison to S-Group, possibly due to stricter financial criteria related to being a listed company. However, once they decided to act, K-Group made the shift to renewables at a much quicker pace.

Being tied to stock exchange performance can also be a contributing factor for K-Group's insistent focus on their core business and weariness to move away from it. The focus of the Group, due to their fiduciary duty to shareholders, must remain on profitability of their core operations, and the models used for energy emission reductions have had to fit into these criteria. As such, energy approaches for K-Group have been much more focused on branding value and cost reductions. S-Group, on the other hand, with its regional co-ops as one of its top stakeholder groups, has been able to move towards longer-term investment options in renewables with their blessing. With the main goal being to provide services at low-cost to its members profitably, the Group has been able to exercise a more unconventional business approach for achieving this goal, even when these tactics have had a harder time fitting into the shorter time horizons typically used by large corporations to assess project success. It could then be said that K-Group's competitive advantage has been their ability to move quickly, whereas S-Group's advantage has been their long-term thinking and view on financial performance.

The interplay between these stakeholder priorities, how they have influenced energy approaches, and how the companies have internally structured around energy is particularly interesting. While the case of S-Group shows that the more distanced approach from core business activities has necessitated more formal internal governance structures for energy (Maon, Swaen & Lindgreen, 2015; Alexander, Purdy & Neil, 2010), the relative independence of the operational level regional co-ops has led the Group to a more varied approach, adding ad-hoc solar projects to Group-wide wind projects. In addition, this independence has created the added challenge of getting all regional co-ops on board with implementing the Group's broader energy strategy in lieu of attention to more everyday energy concerns, adding to the gap theorized by Kujala, Rehbein, Toikka, & Enroth (2013). In K-Group, the heavily corporate top-down structure has both motivated and allowed for a more unified approach on this CR issue, in addition to enabling quicker decision-making and execution of energy strategy. These findings validate the theory put forth by de Graaf & Stoelhorst (2009), emphasizing that company governance structures can motivate different

CR approaches within the same national context or even within the same industrial context (Moura-Leite, Padgett & Galan, 2012). The findings also indicate that Dabic et al.'s (2016) framework, which hypothesizes a more philanthropic, explicit CR approach for companies closer to the customer in the value chain, may be too simplistic and linear a model for determining variation in CR approaches. Rather, company legal structures will also play into these motivations, even among companies similarly situated in the value chain.

In the case of these two companies, the motivation for addressing energy issues through cleaner sources of energy has come from the same overall source, to show efforts towards sustainability in business. Additionally, the large role of electricity consumption in the grocery retail industry has meant that electricity production and consumption has been the first focus of CR action on energy issues. However, the difference in prioritizing investors vs. owners as key stakeholders has meant that a move to cleaner electricity has happened at different times and through different methods.

## 6. CONCLUSION

In order to achieve the Paris Climate Accords target, to keep the worldwide average temperature increase below two degrees Celsius above pre-industrial levels (United Nations, 2015), one of the main tasks ahead of us is to rethink how society consumes and produces energy. Though energy efficiency and the smarter use of energy is undeniably a key part of this equation, inevitably, the society we have built over the past century requires and will continue to rely on energy. Therefore, the other key part of this challenge will be to determine how we can quickly transition to clean, emission-free energy sources. This challenge needs to be addressed not only by energy companies, government policies and directives, heavy industry partners, and individual consumer behavior. Businesses focused on products and services, and the relatively large portion of consumption they represent in the whole energy sphere, can be a crucial part of this energy transition. These companies have the potential to be more than passive consumers, to begin testing out and implementing ‘prosumer’ models that can make a significant dent in the national goals towards carbon emission reductions. By joining the collective effort to decarbonize our energy markets, businesses will engage in sustainable business practices, boosting and supplementing their CR portfolios.

The current body of literature on energy transitions often focuses on an ecosystem, macro perspective that rarely considers more traditional businesses focused on products and services. In energy transition research, companies are either highly flexible on their core mission or already deeply involved in the energy sector. On the other hand, CR literature has extensively explored the how and why of sustainable operations, innovation, and corporate philanthropy, but energy as a specific CR issue in light industry settings has received little attention. Marrying the two perspectives, to understand energy transition opportunities within companies typically considered mere consumers through the lens of CR, has allowed for a unique look into how light industry corporate partners can have major impacts in the energy landscape, and how to motivate their involvement in the energy ecosystem. The purpose of this thesis has been to explore this unique perspective more deeply, through a case study of two of the largest grocery retailers in Finland, S-Group and K-Group. These two companies



are exemplary candidates of light industry corporations who are both large energy consumers and have adopted the prosumer model, investing in their own renewable energy production. These companies, in slightly varying ways, are doing their part for the decarbonization efforts that are needed to reduce Finland's carbon emissions and assist in the country's energy transition. At the same time, these efforts bolster the companies' own CR agendas.

This thesis has set out to understand how S-Group and K-Group have invested in renewable energy, how energy has related to their corporate responsibility agendas, and why the companies have chosen to invest in renewables. By positioning energy as a part of the CR mix of a company, I have demonstrated the role of energy in the companies beyond its operational value and highlighted the wider impact of energy in these companies. This research can thus be applied to energy transitions research, to better understand the value of these kinds of partners in the ecosystem.

### 6.1. Summary of findings and theoretical contribution

This thesis has confirmed that while all companies are influenced by the same socio-political and socio-economic contexts, company specific factors such as organizational structures, culture, partnerships and stakeholder prioritization will ultimately determine how a company approaches energy, and CR more generally. Both existing internal governance structures as well as their flexibility can play a crucial role in determining how deep and how transformative a company's approach to energy issues becomes. Overall, the findings confirm the models outlined in CR literature and demonstrate that energy issues can well be described in the context of CR agendas. By exploring CR from this new perspective, the thesis adds new findings to CR models not yet described in detail in literature.

In terms of understanding how these two case companies implement their renewable energy strategies, the findings have confirmed the role of energy as an operational concern, and thus as a central part of CR integration strategies. Both companies' energy strategies clearly focus on the operational value, rather than the primary commercial value, of energy. However,

while these findings correlate with previously hypothesized models of CR, they also highlight the limitations of these CR stage models by showcasing an example where it may not be possible or even desirable to reach the idolized, final embedded state of sustainability in a company's core business. Some CR issues may always stay on the level of CR integration, and this segmentation of CR issues from the overall CR agenda has been missing from the literature. Furthermore, as in the case of S-Group, we see that a company can apply CR integration models in ways that mimic CR innovation models, without veering away from their core business.

Additionally, the disagreements brought up in literature on what constitutes the furthest developed form of CR are highlighted in the case studies, showcasing that direct evaluation of what is more advanced CR may be more nuanced than some models imply. Though these stages allow for an initial understanding of company strategies, nuances such as those in the case of S-Group are difficult to apply within the current segmented stage models. This segmented thinking, along with a rigid, unmoving perspective on company core businesses, may limit the scope with which companies innovate for CR. The need to account for flexibility for exploring side businesses is further demonstrated in the findings surrounding company legal structures and culture, which have been shown to play a key role in how companies organize around energy issues. These findings confirm theories in the literature outlining the importance of corporate structures in organizing for CR. However, the variations found in S-Group and K-Group's approaches may also be attributed to company culture. A better understanding of the role of company culture in shaping CR remains a gap in the literature, though culture is peripherally connected to CR motivations in a few studies.

Finally, the thesis has shown that partnerships are central to how companies deal with energy issues. Interestingly, this perspective, so widely emphasized in transition management, has been missing in CR literature, thus the thesis adds a new element to CR literature. Partnerships can be a tool for companies to engage in a deeper form of CR integration or even CR innovation, when core business activities cannot change but need to become more

sustainable. Partnerships allow these companies to resolve the issue through new markets, requiring less internal transformation.

The second part of the findings, understanding why companies choose to adopt renewable energy, has confirmed the influence of institutional factors on the national and industry level, as hypothesized in CR literature. The thesis has found financial, social and political factors, mainly operating at the national scale, to have been crucial determinants for the case companies to move into renewable energy. Additionally, we see that the Nordic cultural influences described in the literature as being important in how business is perceived in society are factors in pushing the case companies towards these solutions. The sense of “doing their part”, so strongly emphasized in descriptions on the Nordic sense of duty, is strongly present throughout the findings. The importance of stakeholder engagement in the Nordic market is also present in the company approaches, as described in the literature.

However, while the literature outlines the influence of industry-specific stakeholders, firm-level nuances are typically considered only within the context of corporate rules and organizational factors. The findings of this thesis highlight the importance of combining elements from these different levels, for example understanding the variance of stakeholders between companies in the same industries. Perhaps most clearly, the thesis confirms that no level on its own is enough for explaining CR agendas and motivations within firms – each level plays a role and cannot be discounted, creating patterns globally, within countries, and industries, while each individual firm shapes its approach around what it perceives as its ultimate competitive advantage.

## 6.2. Implications for further research and practitioners

The key findings outlined above provide a starting point for understanding the role of light industry partners in energy transitions by tying these transitions into a highly relevant area of business for these partners: corporate responsibility. With the resources available, the thesis has focused on obtaining an understanding of the two case companies and providing

initial, exploratory research into the area. The findings also highlight key takeaways for practitioners, such as managers and governments, particularly as the growing sustainability movement and its accompanying energy issues becomes more pervasive and a pre-requisite of doing business.

For researchers, the next step could be to apply similar research to more case companies in the grocery retail industry, to gain a deeper understanding of energy in this particular industry. Alternatively, research could turn to other industries. For example, similar themes of renewable energy use and energy efficiency are becoming an ever-larger part of the strategy and CR agenda of large tech companies such as Google, Facebook and Apple, which represent significant electricity consumers particularly through their data center operations (Cook et al., 2017). As climate change concerns and its worldwide effects ramp up, no industry will be able to escape questions related to energy. Expanding the types of businesses, be it companies built around product, service or digital offerings, as well as the national context of the research, could bring truly valuable insight into how to include all partners within an ecosystem in the energy transition process.

In addition, the findings above uncover other lines of research that would be important to explore to further understand the transition process. For example, the role of politics in hindering the case companies' energy investments is clearly an issue. Therefore, a better understanding of how politics enable or inhibit CR practices in explicit or implicit national contexts would be warranted. Similarly, the findings highlight the importance of external partnerships in getting companies involved in these energy transitions in meaningful ways. Research combining insights from a light industry perspective with insights from companies more involved in the energy sphere could help identify new and fruitful ways to encourage deeper partnerships and wider ecosystems within the energy sector. Additionally, the relationship between company culture and organizational structures, and how this can be leveraged to enable long-term business innovation and sustainable practices, would be further explored and applied to an energy perspective.

For managers in energy, corporate responsibility, or business operations and strategy, expanding the pool of potential business partners beyond traditional industry lines will allow for cross-pollination of ideas, which is crucial to initiate innovative projects. These roads can lead not only to cost reductions and better branding, but new business opportunities and an enhanced role for the business in society. Furthermore, stepping beyond the boundaries and priorities set in traditional stakeholder mapping may open the door to entirely new ways of doing business or improving operations. For governments, it will be crucial to evaluate whether the protection of one industry may prevent another from contributing to necessary sustainability movements to their fullest potential. For example, evaluating whether policies balance the interests and impact potential of all ecosystem players in the energy sector may indicate areas for energy transition progress traditionally not thought possible. Additionally, governments and non-commercial organizations can play a key role in bringing together new partners, encouraging all players to step outside of their comfortable core business activities.

### 6.3. Concluding remarks

To combat climate change, society needs partners from across sectors to participate in innovative ways to change the way we consume and produce energy. This thesis has widened the scope of players in this energy transition model from the business world's perspective. Political decision-making and societal trends can push companies to rethink energy within their operations, but how companies will react is largely determined by their own unique legal and cultural makeup. Having now understood the main drivers and processes underlying this type of renewable energy adoption, we can now advance this adoption in other companies. Notably, the key to furthering participation and innovation of companies in energy transitions is to incubate cross-sector partnerships, provide functional financial and political incentives, and promote innovative company cultures, incentive schemes and structures that make choosing cleaner, more sustainable energy easy.

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## APPENDICES

### Appendix 1: Interview questions

1. Can you start by telling me about your role at the company?
2. Tell me about how you see the current role of energy in your CR strategy/operations?
  - a. How do you feel this has changed, if it has, in the past ten years?
3. How does your company currently buy/provide energy to its operations?
4. Describe the events that led up to the company investing in renewable energy.
  - a. Has the company/store changed in any way due to this change?
5. What do you see as the main challenges in energy issues for the company?
6. How do you see the role of renewable energy or energy in general in your company moving forward?
7. How would you describe the opportunities in Finland for companies looking to do the same as your company has?
  - a. If you could give any advice to a company looking to do the same as you have done, what would you tell them?
8. Finally, is there anything you'd like to add or let me know about your company's renewable energy investment projects?

#### *Additional questions for operations:*

1. Can you talk about the overall process of switching to renewables in your company?
  - a. Were there any points that seemed to go particularly well or that were particularly difficult?
  - b. What were the most important milestones in this process for the company?
2. How would you compare this project to other investment projects in your company?

#### *Additional questions for corporate responsibility:*

1. How would you describe how energy is talked about internally at the company?
  - a. Would you say this has changed as the company has become more invested in renewables?